

## Building Ordinance Coverage

**As a management company or Association Board**, you must make sure that you fully protect the Association's assets against fire. Most Association boards probably feel that, if the Association's fire policy is up-to-date to meet replacement costs, they have adequate fire coverage. Well, that may not be the case!

**Socher Insurance has many options available for Building Ordinance Coverage. Call us today at 877.317.9300 or visit [www.hoainsurance.net](http://www.hoainsurance.net) for more information.**

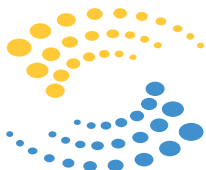
All insurance policies are written based on the concept of "indemnity," which means protection or security against damage or loss. Fire policies are intended to return the property to the condition it was in prior to the fire, and not to put the insured in a better position than before the loss. So, with full replacement cost coverage, the fire policy will pay for rebuilding the structure. But is that enough? Don't assume that it is!

If your building is more than 15 years old, or is an apartment conversion, or if a substantial part of a building is damaged by fire, you may have a nasty surprise awaiting you. Governments periodically revise building codes and ordinances. Standards for alarms, wiring, plumbing, handicap accessibility and seismic requirements are constantly under

review. And, most municipalities require that, if 50% or more of a building is damaged, the entire structure (damaged and undamaged portions) must be brought up to current building codes. In general, none of these mandatory upgrades would be paid by a standard insurance policy.

The insurance industry has developed a solution to this problem. It is Building Ordinance Coverage, which protects the Association specifically against consequent loss resulting from the enforcement of building codes, laws or ordinances.

However, it's a dirty little secret that very few Associations carry this optional coverage. Or, if they do carry this coverage, their policy limits are inadequate or insufficient. So, even Associations whose fire policies are completely up-to-date on replacement costs may find themselves in the untenable position that, after a fire or other loss, their property has numerous mandatory code upgrades for which they have no coverage.



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## There are three Building Ordinance coverage components.

1. **Loss to Undamaged Portion of the Building.** When the undamaged portion of a structure is not technically damaged, a regular fire policy will not cover the “loss” of the undamaged portion. This component of the Building Ordinance coverage picks up the loss of value of the undamaged portion of the building and is designed to cover the costs to rebuild the undamaged portion. This is subject to the same co-insurance requirement as the building. The minimum co-insurance is 80% and can be written on a replacement cost or actual value basis.



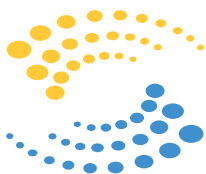
2. **Demolition Coverage.** This coverage provides for the demolition and removal of debris of the undamaged portion of a building as a result of the enforcement of an ordinance or law. Typically, this is required when 50% or more of the building is damaged, although the age of the building and the construction type may influence this requirement. There is no co-insurance requirement for this component of Building Ordinance coverage.



3. **Increased Cost of Construction.** This coverage provides for the increased expenses incurred when replacing the building with one conforming to current laws or ordinances or to repair the damaged building so that it meets current building laws or ordinances. If required, it would cover both the cost to bring the damaged and the undamaged portion up to current building codes. This coverage is a flat amount of insurance without a co-insurance requirement.



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