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CONDO CLAIMS PROCESS

The following is what has been provided by Nationwide's claims and legal departments. This process is to be followed by all adjusters; it comes directly from the Condo Act:

"The way we interpret what is building is what is in the unit when it was built and or converted to a condo. For instance, it is common that the units will be furnished with carpet or vinyl, maybe ceramic, as well as paint on the walls. That is why I said the exterior wall to and including the 1st coat of paint. If the unit owner upgrades and installs engineered wood flooring, that is a betterment. We would owe what was originally in the unit when it was first built."

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The concept of "structural components and mechanical systems" is one commonly understood in the construction field and this comment is not intended as a comprehensive list of those components. For example, however, the term "structural components" is generally understood to include those portions of a building necessary to keep any part of the building from collapsing, and to maintain the building in a weather tight condition. This would include the foundations, bearing walls and columns, exterior walls, roof, floors and similar components. It would clearly not include such components as interior non-bearing partitions, surface finishes, interior doors, carpeting, and the like. Similarly, typical examples of "mechanical systems" include the plumbing, heating, air conditioning and other like systems. Whether or not "electrical systems" are included within the meaning of the term depends on local practice.

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§ 3-113. [Insurance]

(a) Commencing not later than the time of the first conveyance of a unit to a person other than a declarant, the association shall maintain, to the extent reasonably available:

(1) Property insurance on the common elements insuring against all risks of direct physical loss commonly insured against or, in the case of a conversion building, against fire and extended coverage perils. The total amount of insurance after application of any deductibles shall be not less than 80 percent of the actual cash value of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations and other items normally excluded from property policies; and

**(b) In the case of a building containing units having horizontal boundaries described in the declaration, the insurance maintained under subsection (a)(1), to 106 the extent reasonably available, shall include the units, but need not include improvements and betterments installed by unit owners.**

**(c) If the insurance described in subsections (a) and**

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**All spaces, interior partitions, electrical, plumbing and mechanical systems, and all other items within the boundaries of the unit which are attached to the unit boundaries, whether or not deemed fixtures under state law, are part of the unit. Put simply, if any item is installed, constructed, repaired or replaced by the declarant or his successor in connection with the original sale of a stacked unit, the item is insured by the association. Clearly, this does not include items of personal property easily movable within the unit or easily removable from the unit (whether or not deemed a fixture under state law), such as a vase, table or other furnishings.**

***If installed by the unit owner, the item should be insured by the unit owner. Those items, installed by the unit owner and not covered by the association policy, are called “improvements and betterments”.***

This interpretation is followed when there is a claim by a covered peril, subject to the master policy deductible.

September 16, 2016