



HB 913 & Master Insurance: Key Facts

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1. What the New Law (HB 913) Allows

- **Individually:** Each association must insure its buildings at **full replacement cost**.
- **Collectively (3+ Associations):** HB 913 allows associations to join a Master Insurance Policy, but only for windstorm coverage. Coverage may be based on Probable Maximum Loss (PML) from a 250-year storm, meaning only 30%–50% of full replacement value. *Example: A \$10 million Hi-Rise might be insured for \$3–5 million under a master plan.*

2. Pros of a Master Policy

- ✓ **Lower Premiums** – Potential 40–50% savings on windstorm coverage.
- ✓ **Broader Buying Power** – Stronger negotiating leverage.
- ✓ **Unified Risk Management** – Standardized coverage and claims handling.
- ✓ **Financial Relief** – Smaller associations may benefit most.

3. Cons of a Master Policy

- ⚠ **Underinsurance Risk** – May not cover full rebuilding costs.
- ⚠ **Assessment Exposure** – Owners could face large special assessments.
- ⚠ **Shared Risk** – One association’s loss impacts all in the plan.
- ⚠ **Loss of Control** – Decisions may shift to a central insurance entity.
- ⚠ **Legal Uncertainty** – Regulators & lenders may question adequacy of reduced coverage.
- ⚠ **Added Complexity** – Even with a master windstorm policy, each association must still manage AOP, liability, and D&O policies, not as simple as one bundled package.

4. Key Questions for CVE Associations to Ask

- How much would premiums drop compared to full replacement?
- What if damages exceed PML-based coverage?
- How are deductibles allocated?
- Who controls the master insurance entity, Boards or a new committee?
- Will lenders and buyers accept reduced coverage as “adequate”?
- How will separate AOP, liability, and D&O policies be coordinated?

Bottom Line

- **Individually:** Full replacement cost is required.
- **Collectively under HB 913:** A master policy may lower windstorm costs but increases underinsurance risk and requires layering other coverage separately.

Each CVE association must carefully weigh the trade-off between lower premiums and greater exposure, and remember that windstorm is only part of the insurance puzzle.