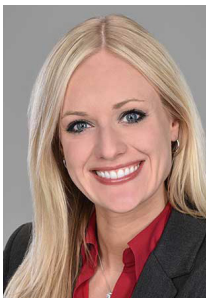
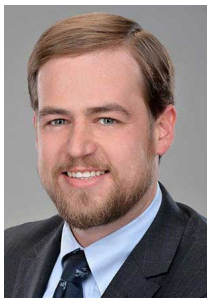

The Evolving Landscape of Condominium Insurance in Michigan: Legislative Provisions, Policy Factors, and Industry Trends

By Amy M. Smith and Evan M. Alexander***

Condominium associations in Michigan play a crucial role in managing residential communities and ensuring compliance with state laws and regulations. Condominium insurance is an integral part of this ecosystem, providing financial protection against liabilities and property losses for both associations and individual unit owners. Understanding how Michigan's Condominium Act (the "Condominium Act") shapes these insurance requirements and how various factors influence policy issuance and premiums is essential for associations, insurers, and policymakers. This article explores the Condominium Act provisions, examines historical and modern provisions in condominium documents, delves into critical underwriting factors, and addresses industry changes that impact premiums and policy terms.

I. Michigan Condominium Act Provisions

The Condominium Act provides a comprehensive legal framework governing the creation and management of condominiums within the state.[1] Enacted to address the complexities of condominium ownership and community living, the Condominium Act establishes clear guidelines for the development, governance, and operations of condominium properties. Among its various provisions, several sections focus specifically on insurance policies and risk management, ensuring that both associations and individual unit co-owners understand their responsibilities and obligations.

One critical aspect of the Condominium Act pertains to the establishment of condominiums. Developers are required to file a master deed with the county register of deeds, which serves as the foundational legal document for the condominium, and includes condominium bylaws (attached as exhibit A), and a condominium subdivision plan (attached as exhibit B). While the master deed outlines the legal structure of the property, identifies individual units, and defines common elements such as shared spaces and facilities, insurance is addressed in the condominium bylaws. Though minimum standards are required by the Condominium Act and the Administrative Rules promulgated under the Condominium Act (the "Administrative Rules").[2] condominium bylaws typically include provisions detailing the insurance of common elements, units, and other items within the condominium, which, along with provisions in the master deed, allocate the associated costs among unit owners. This ensures that the financial burden of insuring shared spaces is fairly distributed, and that adequate protection is in place for the condominium's collective property.

The Condominium Act and Administrative Rules also outline the responsibilities of condominium associations, emphasizing their critical role in maintaining and insuring common elements. These elements include structural components such as roofs and shared walls, as well as community amenities like pools or recreational areas. Associations are required to ensure these components are adequately main-

1 MCL 559.101 *et seq.*

2 Mich. Admin. Code R 559.101 *et seq.*

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tained and repaired, which safeguards the property's overall value and functionality. Additionally, the Condominium Act mandates that associations maintain liability insurance coverage to protect against claims stemming from injuries or damages that occur on common property. This liability coverage is essential for mitigating financial risks and providing a safety net for the association and its members.

The Condominium Act also provides mechanisms for conflict resolution, which may be applied to insurance claims.[3] Disputes often arise when damage originates from a common element but affects a specific unit or multiple units. In such cases, the association's master insurance policy generally takes precedence. This ensures a streamlined process for addressing claims, reduces ambiguity, and fosters a cooperative approach to resolving issues.

Overall, the Condominium Act (in conjunction with the Administrative Rules) balances the interests of developers, associations, and unit owners, creating a legal framework that promotes responsible risk management and collaborative community living. The provisions related to insurance and conflict resolution,[4] along with those provided in condominium documents, are essential for safeguarding both shared and individual property interests, ensuring that condominiums remain a viable and appealing option for Michigan residents.

II. Insurance Obligations and Liability

The Condominium Act, the Administrative Rules promulgated under the Condominium Act,[5] and the Michigan Nonprofit Corporation Act,[6] all impose specific insurance obligations on condominium associations to ensure adequate protection for their assets and operations. These requirements aim to safeguard common property, mitigate risks, and shield association leadership from potential liabilities.

Property Insurance

Rule 508 of the Administrative Rules requires that the condominium bylaws include provisions obligating the association to carry "insurance for fire extended coverage, vandalism and malicious mischief… pertinent to the ownership, use, and maintenance…" of the condominium.[7] This amounts to a mandate that condominium associations maintain property insurance to cover common elements (as defined by the condominium documents), such as roofs and recreational facilities. The Condominium Act provides that the bylaws must also specify that expenditures for the administration of the project include costs incurred to address liabilities or losses arising from, caused by, or connected with the common elements or the administration of the condominium.[8] Likewise, any proceeds or funds received through insurance policies that protect co-owners against such liabilities or losses are treated as receipts affecting the administration of the project. These obligatory provisions ensure shared financial responsibility and protect individual unit owners from bearing the entire cost of repairing or replacing shared assets in the event of damage or destruction.

Liability Insurance and Indemnification

Rule 508 of the Administrative Rules requires condominium associations to maintain liability insurance to protect against claims arising from injuries or property damage occurring on common elements, such as walkways, swimming pools, and parking lots.[9] Additionally, the Condominium Act allows the bylaws to include provisions which provide for liability protections for the unit co-owners and the condominium association.[10]

Pursuant to the Condominium Act, the bylaws must include an indemnification clause for the association's board of directors, ensuring protection against personal liability.[11] This indemnification clause must provide at least 10 days' notice to co-owners before any payments are made under its terms and explicitly exclude coverage for willful and wanton misconduct or gross negligence.[12] Together, these provisions safeguard the financial stability of the association and unit co-owners while ensuring accountability and transparency in board operations.

Directors and Officers Insurance

To protect the association's leadership, the Nonprofit Corporation Act allows an association's articles of incorporation to include provisions that (1) eliminate or limit the liability of directors and volunteer officers, and (2) provide for the assumption of liability for volunteer directors, officers,

3 See MCL 559.154.

4 See MCL 559.154; R 559.508.

5 R 559.101 *et seq.*

6 MCL 450.2101 *et seq.*

7 R 559.508.

8 MCL 559.154(4).

9 R 559.508.

10 MCL 559.156(c).

11 MCL 559.154(6).

12 *Id.*

or other volunteers.[13] Additionally, the Nonprofit Corporation Act reiterates the potential for directors and officers insurance (commonly referred to as "D&O" insurance).[14] This policy shields board members from claims of mismanagement, negligence, or breaches of fiduciary duty. Without this coverage, individual board members could face personal liability for decisions made in their official capacity.

By including these insurance provisions, the Condominium Act and the Nonprofit Corporation Act emphasize the importance of comprehensive risk management for associations, ensuring financial stability and legal protection for all stakeholders involved.

III. Historical and Modern Condominium Document Insurance Provisions

The Condominium Act and Administrative Rules provide very limited and basic insurance requirements, leaving the detailed assignment of responsibilities to the condominium's governing documents. Those detailed provisions are addressed in a given condominium association's bylaws. The terms of condominium bylaws have generally changed over the years, based largely on improved understanding of the administration of condominiums and the insurance market for both association master policies and unit co-owner's individual homeowner's policies.

Historically Typical Insurance Provisions

Historically, condominium governing documents assigned most insurance responsibilities to the association, leaving only a minimal portion to the unit co-owners. Associations were typically tasked with insuring all common elements of the condominium, which generally include key building components such as foundations, roofs, exterior walls, and structural members; utilities, such as the gas, water, and electrical systems; and common improvements and amenities such as the condominium's infrastructure and clubhouses, pools, tennis courts, etcetera.

In addition to covering the common elements, condominium associations were often required to obtain insurance for portions of the condominium that fell under the day-to-day responsibilities of unit co-owners. This included the individual units and their interiors, including fixtures such as cabinets and counters, equipment such as dishwashers, furnaces, and water heaters, and trim such as crown and base molding. Furthermore, some older governing documents mandated that the association insure any betterments, improvements, or upgrades made by unit co-owners within their units, even though the association was not aware of the improvements and could not be certain that adequate coverage was obtained for items that were unknown.

This comprehensive approach ensured that the shared infrastructure and essential systems of the condominium were adequately protected under a unified insurance policy. It also provided certainty and peace of mind for the unit co-owners who knew that in the event of an insurable loss, the property would be restored to the condition preceding the loss. Associations, and their co-owner members, were also able to benefit from the economy of scale, bundling their responsibilities together and benefiting from numerous insurance providers competing for the business.

While many documents still exist which assign this type of broad and inclusive insurance responsibility, numerous associations have sought to revise their documents to balance the insurance responsibilities with the reality of the current insurance market.

Modern Insurance Provisions

A common trend in contemporary condominium documents is to balance the insurance responsibilities between the association and the unit co-owners. This is largely attributed to a more sophisticated understanding of risk management, and significant changes that have been seen in the insurance market.

More modern condominium documents continue to require the association to obtain insurance coverage for the common elements in a similar fashion to historical documents. However, unit co-owners are more commonly assigned responsibility for insuring the interiors of their units. While the Condominium Act does not include a requirement for unit co-owners to obtain insurance, mortgage lenders typically require unit co-owners to obtain and maintain a standard homeowner's insurance policy.[15] The typical homeowner's insurance policy includes coverage for the unit co-owner's personal property and for the interior of the unit, including fixtures such as cabinets and counters, equipment such as dishwashers, furnaces, and water heaters, and trim such as crown and base molding.

A standard homeowner's insurance policy includes coverage for certain items that have historically been within the association's assigned insurance responsibilities.

13 MCL 450.2209(1)(c) and (1)(e).

14 MCL 450.2567(1).

15 See Fannie Mae, Selling Guide, Fannie Mae Single Family, (Feb, 5, 2025), available at https://singlefamily.fanniemae.com/media/41596/display, which sets the Fannie Mae guidelines and typically sets industry standards.

Modern documents will often be written to limit this duplicative coverage because the unit co-owners are paying the expenses of insurance whether through the association or directly to their own insurance provider. Some overlap is effectively unavoidable; however, by better aligning the condominium documents to the typical homeowner's insurance policy, savings can be realized both from the association's master policy carrier, and the unit co-owner's homeowner's insurance carrier.

Not only do some contemporary condominium documents shift insurance responsibilities, but they also describe in far more detail describing the various items which must be covered, and the types and minimum limits for insurance policies. Relative to association master policies, one reason for this additional detail has been to ensure compliance with changed mortgage underwriting requirements. Entities like Fannie Mae, Freddie Mac, and the Federal Housing Administration have detailed guidelines which address numerous factors and requirements that must be met for federally insured mortgages.[16] Included are minimum insurance standards such as 100% replacement cost of all buildings and a maximum deductible not exceeding 5% of the total property insurance coverage amount. These types of specifics were rarely, if ever, included in historical condominium documents; however, to ensure the availability of unit financing, condominium documents now routinely include these minimum coverages.

IV. Industry Changes and Factors Influencing Policy Issuance and Premiums

Insurance providers assess various factors when issuing policies and setting premiums for condominium associations in Michigan. These include structural, operational, and historical elements. When issuing an association master policy, insurers have historically asked many questions of the association to gain a better understanding of the insurance responsibilities, as well as potential risk factors. This practice has always been a part of policy issuance; however, in the recent past insurance providers have placed a much larger focus on not only asking questions, but also completing property inspections.

Roof, Building, and Related Factors

With property inspections, insurance providers are honing in on key elements of the property which directly correlate to insurance risk. One of the most identified items is a building's roof. If a building's roof is showing signs of wear and tear or is otherwise reaching the end of its useful life, insurance providers are now commonly denying issuance of a policy, or are only offering the policy if the association undertakes roof repair or replacement, or in some instances, provides evidence to the insurer that the association is preparing to undertake the work.

Insurance providers are also focusing on code compliance, particularly with older buildings. One all too frequently seen issue concerns electric panels and other electrical components that are aging, are not within current code, or are of a type that has proven to be hazardous. Much like with aging roofs, insurance providers are requiring that associations replace identified and hazardous components, or at a minimum, evidence a plan to undertake the work.

Although not the focus of this article, these factors in the issuance of association master insurance policies are leaving many associations in a difficult position as the insurance provider's requirements are often nearly as expensive as the increased premiums for a high-risk policy.

Leasing Percentage

Associations seeking new or renewed insurance policies are routinely asked to confirm the total number of and percentage of units that are non-owner occupied. The underlying reason is that tenants and non-owners may present a higher risk of damage than do unit co-owners with a vested interest in the condominium and the association's financial well-being.

While a relatively small percentage of leased units will not typically have any significant effect on the premium offered or the association's ability to obtain insurance, when that number grows too high, insurers will either deny issuance or will only offer policies with an increased premium. Some associations are choosing to minimize this potential risk by proposing amendments to their governing documents that implement a limit on the number of units that may be leased, which helps ensure that this factor does not result in an inability to obtain the mandatory insurance at an affordable rate.

Loss History

One of the other factors that heavily influences an association's ability to obtain reasonably priced insurance is the association's own loss history. When seeking a new policy, insurance providers will require the association to provide a "loss run" which identifies all insurance claims and insurable losses that have occurred within a specified period. If an

16 See Fannie Mae, Selling Guide, Fannie Mae Single Family, (Feb, 5, 2025), available at https://singlefamily.fanniemae.com/media/41596/display, which sets the Fannie Mae guidelines and typically sets industry standards.

association's loss history demonstrates that there have been claims, the provider may only issue a policy with a significantly higher premium or may deny offering a policy at all.

Not all losses are created equally. A loss history which shows that a building was struck by lightning, or suffered a loss due to some other exterior factor will be looked at less negatively than a loss history that shows multiple frozen pipes or roof leaks. Some losses like a lightning strike have little impact on the likelihood of future claims, while other losses like frozen pipes and roof leaks are indicative of building problems that are more likely to recur.

V. Changes in Law: Slip-and-Fall Liability

Slip-and-fall cases are among the most prevalent liability claims that condominium associations encounter. These claims often stem from alleged negligence in maintaining common areas, such as sidewalks, stairways, and parking lots. Recent legal developments in Michigan have significantly increased the potential exposure of associations to liability, reshaping the landscape for these types of claims.

Higher Standards for Common Areas

Michigan courts have increasingly imposed stricter requirements on condominium associations to ensure the safety of common areas. Previously, associations could often rely on defenses such as the "open and obvious" doctrine, which protected property owners from liability when hazards were deemed apparent to a reasonable person. However, recent rulings have limited the application of this doctrine, particularly in high-traffic areas where the risk of injury is substantial. For example, in *Hoffner v. Lanctoe,*[17] the Michigan Supreme Court held that property owners have a duty to mitigate hazardous conditions in areas where invitees are expected to encounter them, even if the hazards are arguably open and obvious.

This shift in judicial interpretation places a greater burden on associations to proactively inspect and maintain common areas. Associations must now account for foreseeable risks and implement preventative measures, such as ensuring adequate lighting, repairing uneven pavement, and conducting regular safety audits.

Expanded Duty of Care

The duty of care owed by condominium associations has also been broadened to encompass a more proactive approach to risk management. This includes taking timely action to identify and mitigate potential hazards, such as snow and ice accumulation during winter months. In cases like *Lugo v. Ameritech Corp., Inc.*,[18] Michigan courts have emphasized the importance of reasonable maintenance practices to prevent accidents.

Additionally, associations must now respond more promptly to reports of dangerous conditions. Failure to act swiftly can result in heightened liability, as courts increasingly scrutinize the adequacy of maintenance policies and procedures. For instance, an association's delay in repairing a broken handrail or addressing icy walkways may be interpreted as a breach of its duty of care, even if no prior incidents have occurred.

The Impact of *Janini v. London Townhouses Condominium Association*

On July 11, 2024, the Michigan Supreme Court issued a pivotal decision in *Janini v. London Townhouses Condominium Association* that directly affects how co-owners can pursue claims against condominium associations.[19] Historically, non-co-owners were able to pursue premises liability claims based on their status as an invitee or licensee. Co-owners were not able to successfully pursue premises liability claims based on the principle that co-owners, as joint owners of the common elements, did not enter upon the land of another and thus could not be classified as invitees or licensees. In this landmark decision, the court ruled that a co-owner of a condominium unit can bring a premises liability action against the condominium association.

The Court held that if a condominium's master deed and bylaws assign responsibility for maintaining common elements to the association, the co-owners lack "possession and control" over those areas. This distinction reclassified co-owners using the common elements as invitees, granting them the "highest level of protection"[20] under Michigan's premises liability law. As a result, the condominium association has a duty to exercise reasonable care to protect co-owners from hazardous conditions on the property. If this duty is breached, condominium associations can now be held liable under a premises liability theory for injuries

17 492 Mich 450; 821 NW2d 88 (2012).

18 464 Mich 512; 629 NW2d 384 (2001).

19 No. 164158 (Mich. July 11, 2024).

20 *Id.* at 9, *citing Kandil-Elsayed v. F & E Oil, Inc.*, 512 Mich 95, 112 (2023).

sustained by co-owners in common element areas the association is responsible for maintaining, even though the co-owner has a shared interest in those areas.

In Janini, the plaintiffs were two co-owners who alleged that the association failed to timely remove snow and ice from the common elements, leading one of the co-owners to fall and suffer a brain injury. To reach its conclusion in *Janini* that a co-owner is considered an invitee, the Supreme Court overturned the Court of Appeals decision in *Francescutti v. Fox Chase Condo Ass'n.*[21] In Francescutti, the Court of Appeals held that co-owners were neither invitees nor licensees because they did not enter "the land of another," thereby concluding that no duty was owed under premises liability law and precluding such premises liability claims. The decision in *Janini* imposes a duty on condominium associations to exercise reasonable care in protecting co-owners from dangerous conditions in these areas. The Supreme Court emphasized that the critical factor in premises liability cases is not the ownership of the land but rather who has possession and control over it. By ceding control of certain common elements to the association through the master deed and bylaws, co-owners effectively transferred the duty of care for those areas to the association. As a result, the association owes a duty to those co-owners as it would to any other invitee.

In reaching its decision, the Court recognized that condominium ownership is governed by the Condominium Act,[22] which defines common elements as the portions of the condominium project other than the individual units.[23] Co-owners often hold an undivided interest in these common elements as set forth in the condominium's master deed.[24] While the Condominium Act allows co-owners to pursue certain statutory remedies, such as injunctive relief under MCL 559.207 or other relief under MCL 559.215, the Court reasoned that the Act does not eliminate remedies available under Michigan's common law. The Court rejected the notion that the statutory remedies were intended to be exclusive or that the Legislature had immunized associations from tort liability.

The Court further analogized the relationship between a co-owner and a condominium association to that of a tenant and a landlord. Just as a landlord maintains control over common areas and owes a duty of reasonable care to tenants as invitees, a condominium association's control over common elements imposes a similar duty of care to protect co-owners from dangerous conditions. This relationship is reinforced by the financial contributions co-owners make through association dues and their agreement to relinquish control of the common elements via the association's governing documents. Thus, the Court held that co-owners, as invitees, are entitled to the highest level of protection under Michigan premises liability law.

This decision also reflects the evolving treatment of premises liability claims in Michigan. Following the Michigan Supreme Court's 2023 decision in *Kandil-Elsayed v. F&E Oil, Inc.,*[25] the "open and obvious" doctrine no longer serves as a complete defense but instead factors into a comparative fault analysis. Injured co-owners now must only navigate whether their comparative fault in encountering an open and obvious condition will impair recovery, rather than facing an outright dismissal of their claim. This shift broadens the scope of potential liability for condominium associations.

Broader Implications of *Kandil-Elsayed v. F&E Oil, Inc.*

In *Kandil-Elsayed*, the Supreme Court ruled that a possessor of land is not relieved of the duty of reasonable care when harm from an open and obvious condition is foreseeable. This decision significantly affects community associations by increasing liability exposure. Open and obvious conditions now factor into breach and comparative negligence analyses, allowing claims to proceed to jury trials rather than being dismissed outright. The increased probability of claims and lawsuits could lead to higher insurance premiums for condominium associations as insurers adjust to these heightened risks.

The Court of Appeals applied the holding from *Kandil-Elsayed* in *Gabrielson v. The Woods Condominium Association.*[26] In *Gabrielson*, a tenant fell on a poorly maintained carpeted landing in a limited common element area.[27] While the court found a potential breach of duty by a co-owner/landlord, it ruled that the association and its management company fulfilled their limited duty to warn about known hazards. This decision reinforced the retroactive application of *Kandil-Elsayed* and emphasized the need for diligent maintenance and hazard mitigation.

21 312 Mich App 640 (2015).

22 MCL 559.101 *et seq.*

23 MCL 559.103(7)

24 MCL 559.137

25 512 Mich 95 (2023).

26 No. 364809 (Mich. Ct. App. Jan. 4, 2024).

27 The Condominium Act defines a "limited common element" as "a portion of the common elements reserved in the master deed for the exclusive use of less than all of the co-owners." MCL 559.107(2). In turn, "common elements" are "the portions of the condominium project other than the condominium units." MCL 559.103(7).

Insurance Implications

These legal changes, particularly the reclassification of co-owners as invitees, has significant implications for condominium associations' insurance coverage and risk management strategies. Higher liability exposure necessitates increased coverage limits to adequately protect against potential claims. Associations should also consider reaffirming procedures that promote the use of reasonable care to address dangerous conditions in common areas. Boards may also explore the possibility of amending their master deed and bylaws to shift maintenance responsibilities for certain common elements to individual co-owners. For example, in communities with attached units, associations are often responsible for porches, walkways, and driveways servicing individual units. By amending governing documents to place maintenance obligations such as snow and ice removal on the individual co-owners, associations could reduce their exposure under premises liability claims. However, this approach may face practical challenges, including the potential difficulty of obtaining the requisite two-thirds approval from co-owners to enact such amendments.

Associations are advised to consult with insurance professionals to reassess their policies and ensure that they meet the heightened standards of care. Moreover, the demand for robust loss prevention programs has intensified. Insurers may require associations to implement measures such as routine property inspections, documented maintenance schedules, and training for staff and contractors. Failure to adopt these practices could result in increased premiums or denial of coverage in the event of a claim.

Prolonged Litigation

One notable consequence of these developments is the potential for more protracted litigation. Claims that may have previously been dismissed at an early stage under the "open and obvious" defense are now more likely to proceed to trial. This change increases both the financial and administrative burdens on associations, as they must allocate resources to defend against lawsuits and potentially settle claims. For example, a slip-and-fall incident involving icy conditions in a parking lot may now require expert testimony on whether the association's snow removal efforts met industry standards. These extended legal battles and the associated costs contribute to higher insurance premiums, as insurers adjust their risk models to account for increased claim frequency and complexity. With more claims proceeding to trial and settlements often involving substantial payouts, insurance providers may impose stricter underwriting standards and higher premiums. Associations should anticipate these changes and proactively budget for rising insurance costs, which could place additional financial strain on their operations.

The evolving legal standards for slip-and-fall liability in Michigan represent a significant challenge for condominium associations. By imposing higher standards for common areas, expanding the duty of care, and increasing insurance requirements, these changes underscore the importance of proactive risk management. The landmark decisions in *Janini v. London Townhouses Condominium Association* and *Kandil-Elsayed v. F&E Oil, Inc.,* along with the unpublished decision in *Gabrielson v. The Woods Condominium Association,* highlight the growing complexity of premises liability claims and the necessity for associations to adapt to this shifting legal landscape. Future litigation trends will likely continue to shape the responsibilities of associations, emphasizing the need for vigilance and strategic planning.

VI. National Losses and Their Impact

The insurance industry in the United States has undergone significant shifts in recent years, influenced by a combination of national and global factors. These changes have directly impacted premiums and underwriting standards for condominium associations, including in Michigan, where localized risks are now compounded by broader industry challenges.

The Role of Natural Disasters

Natural disasters have become a driving force behind escalating insurance premiums nationwide. While Michigan is less prone to hurricanes and wildfires compared to coastal and western states, the financial consequences of these catastrophes have a ripple effect on the broader insurance market. For example, hurricanes like Ida and Ian, along with record-breaking wildfires in California, have caused billions of dollars in insured losses, depleting insurers' financial reserves. According to the Insurance Information Institute,[28] insured losses from natural disasters in the United States exceeded $114 billion in 2022 alone (in 2023 dollars) and $79.6 billion in 2023.

For condominium associations, these losses mean increased premiums and more stringent underwriting standards, even in regions like Michigan with relatively low exposure to natural disasters. Associations may face higher deductibles for wind, hail, or flood coverage and

28 *See* Insurance Information Inst., Spotlight on: Catastrophes - Insurance issues (Feb. 19, 2024), at https://www.iii.org/article/spotlight-on-catastrophes-insurance-issues.

may be required to implement additional risk mitigation measures to secure affordable policies.

Rising Construction Costs and Inflation

Rising construction costs, driven by inflation and ongoing supply chain disruptions, have significantly influenced property insurance premiums for condominium associations. Between 2021 and 2023, the National Association of Home Builders reported a 30% increase in the cost of construction materials, including lumber, steel, and concrete.[29] Labor shortages have further exacerbated these costs, as contractors face heightened demand and limited workforce availability.

For condominium associations, these trends directly affect replacement cost values, a critical factor in determining the adequacy of coverage limits. Policies should reflect current construction costs, particularly for coverage of common areas such as roofs, parking structures, and recreational facilities. Failing to adjust coverage limits in light of rising costs could leave associations underinhsured and vulnerable to financial shortfalls if significant damage occurs.

Pandemic-Related Claims and New Coverage Considerations

The COVID-19 pandemic introduced novel risks that continue to shape the insurance landscape for condominium associations. Business interruption claims, health-related losses, and the transition to remote management highlighted vulnerabilities in traditional coverage models. For example, disputes arose over whether pandemic-related shutdowns constituted physical damage under business interruption policies, leading to significant litigation nationwide.

In the context of condominium associations, the pandemic also accelerated the adoption of remote management practices. While these practices offer convenience, they introduce cyber risks and operational challenges that insurers are addressing through expanded endorsements and exclusions. Associations must evaluate whether their policies provide adequate coverage for cyber incidents, management errors, or liabilities arising from remote operations. Moreover, disease outbreak coverage has emerged as a specialized consideration. Insurers are increasingly offering endorsements to address pandemic-related risks, but these often come with higher premiums or limited applicability.

Implications for Michigan's Condominium Associations

In Michigan, the cumulative effects of these national trends have heightened scrutiny of underwriting practices and policy renewals for condominium associations. Insurers are tightening coverage terms and raising deductibles to manage their exposure, even in traditionally stable markets. Associations may now be required to implement loss prevention measures, such as enhanced fire safety systems, improved drainage systems, and climate-resilient construction materials, as a condition for coverage. In addition, associations may face increased premiums and narrower coverage options, necessitating careful review and negotiation of policy terms. However, insurers' heightened focus on risk mitigation provides opportunity for implementing preventative measures that reduce risk, improve insurability, and potentially lower costs over time.

VII. Conclusion

Condominium insurance in Michigan is shaped by a complex interplay of legislative mandates, historical and modern governance documents, and evolving industry dynamics. Understanding the provisions of the Michigan Condominium Act, the factors influencing policy issuance and premiums, and the broader trends in the insurance market is critical for associations and unit owners alike. As laws and risks continue to evolve, proactive risk management and clear governance documents will be essential in navigating the challenges ahead.

29 *See* Nat'l Assoc'n of Home Builders, Building Costs Skyrocket Over the Past 12 Months (June 4, 2021), at https://www.nahb.org/blog/2021/06/Building-Costs-Skyrocket-Over-the-Past-12-Months; Nat'l Assoc'n of Home Builders, Material Costs Affect Housing Affordability (July 16, 2024), at https://www.nahb.org/Advocacy/Top-Priorities/Material-Costs.