

Homeowner Insurance Responsibilities

Unit Owner Packet for Policy Term 1/1/23 to 1/1/24. This Unit Owner Packet is designed to assist you in determining the specific insurance you need for your condominium. It's recommended that you speak with your agent or company to determine what is available and recommended.

Your Association's master policy is effective 1/1/23 to 1/1/24 and includes the following deductibles:

- 5% of the replacement cost of each damaged building for losses due to wind or hail
- \$10,000 per occurrence deductible for water losses
- \$10,000 per occurrence deductible for fire losses
- \$10,000 for All Other Perils

As a unit owner, you may be responsible for the Association's deductible when a loss occurs. Please be sure to share this Unit Owner Packet with your insurance agent who handles your Homeowner's policy. This will ensure that your agent understands the Association's master policy when determining building and loss assessment coverage for your individual policy. If your insurance agent has any questions, they are welcome to contact one of our HOA team members. We very much appreciate the opportunity to serve you and your Association.

FREQUENTLY ASKED QUESTIONS

1. What part of the building does the Association cover? The Association's master policy insures the buildings for full replacement cost. The master policy only covers the interior building items of your unit as required by the Association's governing documents (declarations and covenants). For example, you are responsible for building items like cabinets, countertops, flooring, paint, etc. It is imperative for you to review the Association's governing documents, including amendments, to determine what building items you must cover in your own policy. The master policy does not cover your personal property, loss of use or personal liability.

2. What kinds of losses are covered? Your unit is covered by the Special Causes of Loss form. This form covers the same types of losses to your unit as a standard Homeowners policy. Some examples are losses caused by fire, lightning, wind or tornado, hail, water damage from sudden rupture of a pipe inside the building, and vandalism. Types of losses that are not covered include, but are not limited to, earth movement, earthquake, flood or subsurface water, mold, wear and tear, and defective construction.

3. What kind of insurance do I need to carry? You are responsible for securing insurance for your own personal property, loss of use, loss assessment, the Association master policy deductible (as assessed), personal liability, and any building/dwelling coverage required by your Association's governing documents. This is best accomplished through purchase of a Condominium or Townhome Unit Owners Homeowner's Policy, often times called an HO-6 policy.

4. How are claims handled? Losses are settled through the Association subject to the Association's deductibles for losses (refer to page 1 for your association's applicable deductibles). Your Board of Directors, in compliance with the Association's governing documents and established policies, determines who is responsible for the deductible should a loss occur. Claims should be reported through the Association's Community Manager or the Association's appointed contact person.

5. What is a Wind or Hail Deductible? The percentage Wind or Hail Deductible means that all wind and hail losses will be adjusted less a deductible that equals a percentage of the replacement cost of each damaged building or total insurable value of the property (refer to page 1 for your association's wind/hail deductible amount). 5% wind/hail deductible calculation example: If an Association has three buildings damaged by hail, each with a replacement cost of \$250,000, the deductible per building will be \$12,500 ($5\% \text{ of } \$250,000 = \$12,500$). The total deductible for all buildings will be \$37,500 ($3 \text{ buildings} \times \$12,500 = \$37,500$). Unit owners may be responsible for a portion of the 5% Wind or Hail Deductible should a loss occur.

6. Why do we have a Wind or Hail Deductible? The Wind or Hail Deductible is the result of many years of continuous adverse loss history in Colorado from wind and especially hail. As a result, many of the insurance carriers who historically

provided coverage to Community Associations became unwilling to continue doing so. Many insurance carriers non-renewed existing Community Association policies and/or quit providing any new policies. The carriers that continue to provide coverage use the percent Wind and Hail Deductible to keep premiums affordable. The alternatives would be extremely high premiums or excluding wind and hail damage completely.

7. Can I obtain coverage to pay for my portion of the Association's deductible on my own insurance policy? Customarily, each unit owner is responsible for insuring building items that are not the Association's responsibility, personal property, loss of use, and personal liability. This is best accomplished by purchasing a Condominium Unit Owners Homeowners policy, commonly called an HO-6 or Form 6 Homeowners policy. Most insurance carriers' HO-6 policies include two provisions that could apply to cover a unit owner's responsibility for the deductible in their Association's master policy. The first provision is called Coverage A – Dwelling. The Dwelling provision allows unit owners to cover "items of real property (building items) that pertain exclusively to the residence premises." This is the policy provision that many insurance carriers use to allow unit owners to cover their responsibility for their Association's insurance deductible. Many HO-6 policies automatically include a small amount of Dwelling coverage for no additional charge. If necessary, the Dwelling limit can be increased for a nominal additional premium. The second provision is called Loss Assessment. Like Coverage A – Dwelling, most HO-6 policies include a small amount of coverage for Loss Assessment, customarily a \$1,000 limit, which can also be increased for a nominal additional premium. Some HO-6 carriers limit the amount of Loss Assessment payable for reimbursement of an Association's deductible to a maximum of \$1,000. Loss Assessment coverage only responds when the loss assessment is the result of a claim that otherwise would be covered by the Association's master policy, but is not, because of insufficient limits, or possibly because of a high deductible that must be paid by all unit owners. Loss Assessment coverage does not apply to financial or maintenance assessments that are not related to insurance claims. It is strongly recommended that each unit owner contact his/her Homeowners insurance carrier to determine what Dwelling and Loss Assessment coverage is included in their HO-6 policy, and how

their carrier recommends providing coverage for their portion of the deductible following a loss.

8. What if my unit is a leased rental unit? Owners who are renting their unit to a tenant need a Rental Dwelling policy or a Business Owners Policy instead of a Unit Owners Homeowners policy. This policy can cover dwelling items not covered by the Association's master policy, your responsibility for the Association's deductible, personal property that you own, loss of rental income, loss assessment, and personal liability as a landlord. If you are renting your unit to a tenant, it is strongly recommended that you require your tenant to carry a Renters Insurance policy, often called an HO-4 policy. It covers their personal property, loss of use, and personal liability.

9. Who pays the insurance premium for the association? Like other common expenses, the Association budgets for, and pays the premium from the dues paid to the Association by unit owners. Unit owners are responsible for their own HO6.

10. What is a certificate of insurance? A certificate of insurance is a document that outlines insurance coverages and limits that have been purchased by the Association. The information provided includes, but is not limited to, policy effective dates, policy numbers, insurance carriers, limits of insurance and deductibles. A certificate of insurance is routinely required by a mortgage lender when a loan exists on your property.

TO REQUEST AN INSURANCE CERTIFICATE

Please contact our insurance agent for the association:

Leavitt Group of Colorado

Agent, Damian Arellano at 719-589-9611