

### FYI #3

One of our Governing Documents Revision Committee goals is to offer updates to our Owners in timely, digestible increments so that we do not try to convey an overwhelming amount of information at one time; just before an annual meeting or days before an important matter requires a vote.

This months topic is Homeowner and Renter Insurance that is adequate and necessary. We need to understand where the HOA's responsibility ends and the Owners responsibility begins. Our new documents will make this distinction more clear. The following example will give us some context for understanding the most common mishap that occurs in Common Interest Ownership Communities and illustrate the need for the right kind of individual coverage.

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Edited by Deb Forsline for

The Reserve on the Eagle River

**Edits in Bold Italics**

#### **Are You Carrying Enough Loss Assessment Coverage?**

I was recently told a story about a condominium association that is carrying property insurance coverage on their condominium units which includes a *\$50,000 per unit deductible* on water related losses! Evidently, this association has also adopted a policy which passes along the responsibility for the deductible to the owners of the units which were damaged. In addition, if a unit owner is found responsible for causing a water related loss, I was told the at-fault owner is responsible for paying the \$50,000 deductible for all of the units damaged by the water event.

Let's say you live in this association and negligently caused a water related loss which damaged your unit and three others. That would mean you could be held responsible to pay \$200,000 in insurance deductibles. Needless to say, most people are not prepared to write a check for \$200,000!

***Obviously, this is an extreme example used to get our attention, and it did! The deductible at The Reserve on our newly renewed policy with CAU is \$5,000.***

Once I thought through this scenario and picked my jaw up off my desk, my initial thought was this association has basically decided not to cover water related losses. **However, much more importantly, I thought about how absolutely essential it is for homeowners in this community to carry sufficient insurance coverage on their standard unit owners policy (commonly referred to as the "HO-6 policy") to cover payment of these deductibles.**

While the story I recounted is certainly unusual, every owner of a condominium unit should find out what deductibles their association is carrying on their property and liability insurance coverage (***\$5,000 at The Reserve***) and to what extent the owners are responsible for paying those deductibles. ***At The Reserve, Owners will be responsible for paying these deductibles.*** Once you have that information, **you should contact your insurance agent and**

ask the following questions about your HO-6 policy:

- 1. Does my HO-6 policy include loss assessment coverage? If so, is the coverage limited to the standard \$1,000 per claim?**
- 2. How much loss assessment coverage should I carry on my HO-6 policy?**
- 3. Does my loss assessment coverage only cover assessments made against all of the owners in my association for uninsured or underinsured property or liability claims? Will the loss assessment coverage apply if my unit is the only one damaged and I'm responsible for paying the deductible?**
- 4. If I cause a loss and am responsible for the deductible on my unit and the other units damaged - will my loss assessment coverage pay for the deductibles? Do I need to purchase a separate endorsement to cover these types of deductibles?**

Most homeowners living in a condominium association don't think about insurance deductibles unless they receive the shocking news that they are responsible for payment of a significant deductible. By following the steps I have outlined above, you can be financially prepared for the deductible obligations you may encounter in the future.

Source article, Colorado HOA Law

<http://www.cohoalaw.com/money-matters-are-you-carrying-enough-loss-assessment-coverage.html>