



First Choice Property Management

Property Management, Rental Services and Real Estate

48 Hamlet Avenue • Woonsocket, RI 02895 • Phone (401) 765-7300 • Fax (401) 762-0142

June 22, 2012

Trustees of Town House Estates of Norton Condominium Trust
c/o First Choice Property Management, Inc.
48 Hamlet Avenue
Woonsocket, RI 02895

Dear Owners of the Town House Estates of Norton Condominiums,

The cost of insurance is sky rocketing and condo associations are facing more expense and even difficulty keeping associations properly insured. Recently, the Board met with a principal from our master policy insurer GNY to review what steps the Board could take to control insurance costs and stay insured. It was advised that the Associations' master policy's deductible should be raised in order to insulate this coverage from small claims. Insurance companies often drop coverage due to the number of claims filed; raising our deductible to \$10,000 and loss assessment to \$50,000 will help with that. The Associations' Attorney reviewed the attached resolution and it was unanimously approved by the Board at the May 24, 2012 meeting. The resolution goes into effect on August 1, 2012.

Each owner should review the resolution and forward to your personal home owners insurance company to ensure your personal HO6 policy covers you to the new master policy deductibles. Your personal insurer will be able to answer any questions regarding your HO6 policy.

Please return to First Choice Management Company the attached confirmation signed by your personal insurance company.

The cost to raise your HO6 limits is relatively inexpensive. For example, if your personal HO6 policy deductible is currently \$5,000 and is raised to \$10,000 and loss assessment is \$25,000 raised to \$50,000, the additional cost annually should only be approximately \$35.00.

Thank you,

On behalf of the Town House Estates of Norton Board of Trustees,

Alise Sheppard
Property Manager

You Own, We Manage!
www.FirstChoicePropertyManagementRI.com

TO: Town House Estates of Norton Unit Owners

FROM: Town House Estates of Norton Trustees

SUBJECT: MASTER INSURANCE POLICY DEDUCTIBLE

DATE:

The Master Insurance Policy for Town House Estates of Norton is written with Greater New York Insurance Company through Gencorp Insurance Group. As a reminder, it is very important that each owner understand the coverage contained in the master insurance policy as well as the coverage in your unit owners policy.

The insurance purchased by the association satisfies the requirements set forth in the condominium documents and the Massachusetts Condominium Act. The master policy covers the condominium including the units as they were originally built. Any improvements and betterments to the units since they were originally built need to be reported to the Trustees to be considered in evaluating the building limit on the Master Policy. Personal belongings (ie clothing, draperies, rugs, window treatments, furniture, jewelry, etc) are **not covered by the master policy**. Unit Owners should speak to their own personal insurance agent to discuss their specific coverage needs for these items.

This notice is to advise you that, in accordance with the attached resolution of the Trustees, the coverage under the master policy will be subject to a \$10,000 deductible per occurrence or per loss. Therefore, if there is a covered loss and your unit is damaged, you will be responsible for the payment up to the first \$10,000 (the deductible) of the loss to restore your unit. **[You will need to seek coverage for this loss under your condominium unit owner's policy (see full explanation below).]** If more than one unit or the common elements are damaged, below is an *example* of how the deductible will be handled:

- There is an insurable loss and 3 units are damaged and the cost to restore all three units is \$100,000.
 - Unit 1 has sustained \$50,000 in damage or 50% of the total loss and will be responsible for 50% of the deductible or \$5,000.00 .
 - Unit 2 has sustained \$25,000 in damage or 25% of the total loss and will be responsible for 25% of the deductible or \$2,500.00 .
 - Unit 3 has sustained \$25,000 in damage or 25% of the total loss and will be responsible for 25% of the deductible or \$2,500.00 .

The master policy will fund \$90,000 towards the loss (loss amount less deductible).

If there is damage to the common areas such as a roof and this damaged is a covered loss under the Master Policy, then the Association will also be responsible for funding its pro-rata share of the deductible in the same way a unit is assessed.

How do you recover that portion of the loss that was not funded by the master policy? The answer is through your homeowner insurance policy commonly known as an HO-6. We strongly recommend that you carry an HO-6 insurance policy on your unit and ensure that you have a minimum limit of \$10,000 under Coverage A Dwelling. It is important that you confirm with your agent that your policy will respond to your share of the master policy deductible through Coverage A by asking them to review and sign the attached "Confirmation of Coverage" form. We also strongly suggest that you add "Special Coverage" to your Coverage A Dwelling Limit which changes the coverage from a "Named Peril" to an "Open Peril" policy. ***If you currently do not have an HO-6 policy, you are self insured and will be responsible for your prorate share of the deductible without any benefit of insurance.***

Investment owners will also want to be sure that they have coverage for the dwelling up to at least the deductible and that your tenants have appropriate insurance policies, typically called an HO-4 policy, for their personal effects and Loss of Use. We strongly suggest all investors who rent their unit(s) review this with their insurance agent.

And finally, we strongly suggest that you increase your "Loss Assessment" coverage on your HO-6 Condominium Unit Owners policy from the \$1,000 basic limit to the maximum limit available in Massachusetts (generally \$50,000).

Other frequently asked questions:

I live in a condominium, so why should I be responsible for a portion of the cost to restore my unit if I did not cause the damage? With the rising costs of master insurance policies, Boards must find a way to reduce premiums, risks and claims exposure. A common and most popular way in today's insurance market is for condominiums to increase the master policy deductible. This is a common practice among condominium associations across the country. Years ago a typical condominium master policy deductible would be \$1,000. In today's market deductibles range from \$5,000 to \$20,000 and for coastal properties as high as \$25,000 to \$50,000.

Why do we need a higher deductible? We enjoy a very competitive rate for our master policy which could be jeopardized by the filing of multiple claims. Finding a replacement carrier at time when we have multiple claims would significantly increase the master policy premium. All insurers look favorably on Associations with low claim frequency.

What if the loss does not exceed the Master Policy deductible? No claim would be filed under the master policy. Affected Owner(s) would file a claim under Coverage A of their respective HO-6 policies to recover their loss.

What if there is a roof leak, an ice dam or common area pipe leak and I sustain damage to my home? You would be responsible for the interior damage to your home up to \$10,000 and you would file a claim under your HO-6 policy. The Condominium Association has an obligation to correct the cause of the damage, but not the interior damage. If the interior damage exceeds the deductible, then a master policy claim would be filed.

What if the common areas are damaged in a major loss along with several units? The condominium Association would be responsible for its pro-rata share of the deductible exactly the way the units are responsible. However, the association does not have an HO-6 policy to fall back on and would pay its share out of operating funds.

Can the association collect from a homeowner the total amount of a loss if the homeowner caused the damage? No, there is a provision in the Condominium documents that prohibits the Association from subrogating against a unit owner.

What if my upstairs neighbor's toilet or HVAC unit leaks and causes damage to my unit? These types of claims are normally under the Master Policy deductible. Each owner would file a claim with their respective insurer.

If I rent my home how do I recover the deductible amount if I am no longer insured under and HO-6? We strongly recommend you discuss this with your insurance agent.

What should my insurable limits be for the other coverage under my policy, such as personal property and personal liability? You should discuss this with your insurance agent.

Confirmation of Coverage

TO: INSURANCE AGENTS FOR UNIT OWNER OF TOWN HOUSE
ESTATES OF NORTON

SUBJECT: MASTER INSURANCE POLICY DEDUCTIBLE

UNIT OWNER NAME: _____

By resolution of the Trustees of Town House Estates of Norton hereinafter Association, the insurance coverage under the Condominium Association Master Policy will be subject to a \$10,000.00 (the deductible) per occurrence or per loss. Therefore, if there is a covered loss to a Unit Owner's Unit, the Unit Owner will be **responsible** for payment, up to the deductible for the loss, to restore their unit. If one or more units or the common areas are damaged, the deductible will be apportioned to each unit based on the total loss.

The Unit owner has been strongly advised to carry an HO-6 policy on their Unit with a minimum Coverage A Dwelling limit at least equal to the deductible and to **confirm with their agent that their Unit Owner's policy will respond to their share of this deductible amount** through their Coverage A Dwelling limit.

The Unit Owners have also been advised to add "Special Perils" to their Coverage A Dwelling limit and to increase their Loss Assessment Coverage to \$50,000 (if available).

Finally, we have advised that the Unit Owner discuss with their insurance agent appropriate limits for any other coverage under their policy such as Personal Property and Personal Liability.

Insurance Agent/Company Confirmation:

I hereby confirm that the above stated Unit Owner's HO-6 will respond to the Unit's Owner's share of a Master Policy Deductible through their Coverage A Dwelling Limit.

Signature

Print Name: _____

Agency/Company Name: _____