

VERY IMPORTANT

June 9, 2020

TO: Carlson's Ridge Homeowners Association

FROM: Richard Herrington
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SUBJECT: Carlson's Ridge Homeowners Association Insurance Program
2020-2021 Property/Liability

The Association has asked me to write this letter to give you a synopsis of the Association's insurance program that is currently in place for the property, liability and umbrella insurance, directors & officer's liability insurance and a \$5,000,000 umbrella liability policy.

The Property & Liability of the Association's coverage is through a preferred carrier, Cincinnati Insurance Company.

The following deductible applies:

1. All covered property losses have a **DEDUCTIBLE** of **\$10,000**.

I realize that this may sound like a problem, but as long as you have the proper insurance protection under your Personal Condominium Unit Owner's Policy to balance off the deductibles that are required under the Association's policy, there is way of covering the loss below the Associations deductible.

Property Claims which fall UNDER the Association Deductible:

Should a building property claim be under the deductible, the Association's policy will not provide any coverage and you will have to look to your Personal Condominium Owner's Policy for coverage. Your Personal Condominium Owner's Policy will need to have building coverage no less than \$10,000 to cover the worst case deductible. Insurance Companies differ on how they name this coverage. In essence, the policy may read; Building Coverage, Additions & Alterations Coverage, or Improvements & Betterments Coverage. The total cost for \$10,000 of protection is about \$95 depending on the insurance carrier.

For example, if there was a fire at a unit or even multiple units and the claim was below \$10,000, the unit owner(s) would submit this claim through their Personal Condominium Unit Owner's Policy under the Additions & Alterations/Improvements & Betterments/Building Portion of the policy and only be subject to their particular deductible, which is usually \$500 or \$1000. The Association's Master Policy will not come into play at all.

Property Claims which EXCEED the Associations Deductible:

Once a building property claim exceeds the respective Association's property deductible the following three scenarios will occur:

- 1. If one unit is involved in the Association's property deductible, it is the responsibility of the particular unit owner who should be covered under their Personal Condominium Unit Owner's Policy under the Additions & Alterations & Betterments/Building Portion of the policy. The unit owner will only be subject to their particular deductible, which is usually \$500 or \$1,000. The rest of the covered claim over the associations' deductible will be covered by the Association's Master Policy.**
- 2. If multiple units suffer a claim from the same loss (for example, fire) and the total loss for all units combined exceeds the Association's property deductible, the Association's Master Policy will pay for the claim above the deductible and the Association's property deductible of \$10,000 is split between the unit owners that had the claim. Splitting the deductible between the unit owners that had the claim is the current practice of the association.**
- 3. In the case where the loss is only slightly over the Association deductible it would be prudent for the association to weigh the claim amount before submitting the claim to the carrier. In certain cases the association may decide to pay for a loss instead of submitting the claim to the insurance carrier. Working together we can manage our insurance costs through sound communication. Therefore all losses should be communicated through the board prior to submitting any claim to Nicholas / Tobin or our insurance carrier. Exception; if you have a life threatening claim event by all means contact Nicholas / Tobin as a 24hr service is available to you.**

However, the association/unit owners need to be careful with this practice. Most Personal Condominium Unit Owner Policies will limit the amount of reimbursement for a deductible assessment to \$1,000.

Here are two solutions to this issue:

- One** – make sure your Personal Condominium Unit Owner Policy will pay more than \$1,000 for your share of the association's deductible that has been assessed/billed to you since you are part of a multi-unit claim. Having adequate Loss Assessment coverage on your Condominium Owner's Policy is a way to protect against assessments billed to you.
- Two** – association can adopt a policy that an association deductible that occurs from a multi-unit claim is assessed/billed to all unit owners not just the units where that claim occurred. If unit owner desires, they can submit the bill to their Personal Condominium Unit Owner Policy and collect under the loss assessment coverage.

As you can see in the above paragraphs, this is a very complicated issue. I would highly recommend that you share this letter with your condominium owner's insurance carrier/agent to make sure that you have proper protection under your Personal Condominium Unit Owner Policy. There could be exceptions in how a particular company may or may not handle the Association's property deductible.

In summation, the strategy of utilizing a larger \$10,000 deductible has not only helped us all keep one of our largest association expenses under control, it helps us all reduce the association dues that we all pay.

Nicholas/Tobin Insurance Agency would like to thank you for continuing to give our agency the opportunity of handing the Association's Insurance Program. Should you have any questions whatsoever and/or would like a quotation on your personal condominium insurance program, please do not hesitate to call.

Unit Owners and/or Landlords of a unit should make sure they have their own insurance covering at a minimum the following exposures:

- (1) Additions & Alterations and/or Improvement & Betterments Coverage and/or Building Coverage (minimum of \$10,000*).
- (2) Personal Property of the unit owner (contents).
- (3) Additional living expense.
- (4) Personal injury.
- (5) Loss assessment coverage (minimum of \$50,000).
- (6) Value of jewelry, furs, silverware, fine arts, etc.
- (7) Personal liability (minimum of \$500,000).

* Note: with respects to item (1) we recommend that you consider the level of renovations or alterations that have been historically made to your unit as a higher limit may be more appropriate to fit your needs.

If you have any questions regarding the insurance coverage, please contact Nicholas / Tobin Insurance Agency at (860)-354-4466.

P.S. It is very Important that if any type of claim occurs, that you notify our office immediately, a member of the Board, as well as your insurance carrier/agent.

If you or your mortgage company requires a CERTIFICATE OF INSURANCE, or other insurance coverage, please contact Nicholas/Tobin Insurance Agency at:

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