

LP Email Blast #2024-23 / URGENT - Property Insurance Renewal and Loss Assessment Coverage

Lafayette Place Condominiums HOA <mail@managebuilding.com>

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To:Linda Adams <manager@lafayetteplace.net>

I apologize in advance for the lengthy message, but this information is extremely important concerning the property insurance coverage for the Association and how this directly impacts each unit owner.

Dear Unit Owners,

Our master property insurance policy, which covers damage to the common areas such as the exteriors, roofs, etc., of each building expired on June 12, 2024.

We had been working for months with three different insurance brokers, including our current broker, to request competing quotes for this coverage. As we have informed previously, insurance options for condominium complexes, especially older complexes such as ours, have become extremely limited. Add to that the value of our complex, which has increased to just over \$38 million, and there are simply very few insurance carriers that are willing to issue a policy to us.

On Monday, June 10th, just two days before the expiration, our current broker sent us their proposal, with a premium increase of \$90,000, or 34%, from \$300,000 for the current year, to \$390,000 for the period June 2024 through June 2025.

The property coverage portion of the policy increased by 19% to \$265,766, but the wind/hail buydown policy, increased by an incredible 83% to \$130,000. This "buydown" policy lowers the deductible, in case of hail or wind damage, from \$1.2 million to \$250,000.

When we informed the broker that we were considering not purchasing the wind/hail buydown coverage, they revised their quote and lowered that portion of the policy from \$130,000 to \$90,000, which is still a 25% increase over the previous year.

Ultimately, since there were no other competing proposals that provided adequate coverage, the Board unanimously voted, via email motion, to continue with the

current carrier for the master property policy, but to decline coverage for the wind/hail buydown policy.

In a nutshell, the “buydown” policy is offered so that, in case of a catastrophic wind or hail event, the deductible is lowered, however, in order for it to be cost effective, there would have to be significant damage.

For instance, here are a couple of scenarios:

A hailstorm causes damage to four buildings which will require new roofs – 4 buildings at approximately \$40,000 per roof = \$160,000. In this case, we would not file an insurance claim at all, since the total damage is less than our deductible of \$250,000 (if the buydown coverage was purchased).

A hailstorm causes damage to eight buildings which will require new roofs – 8 buildings at approximately \$40,000 per roof = \$320,000. In this case, it still would not be beneficial to purchase the buydown coverage, because at a cost of \$90,000 for the buydown, plus the \$250,000 deductible, we are out of pocket by \$340,000, more than the \$320,000 it would cost to repair these roofs. Again, it would not make sense to file an insurance claim in this scenario.

We also must be very careful about not filing a property insurance claim, unless there are absolutely no other options, since insurance companies are using any excuse to either cancel or non-renew a policy. Remember, we were only able to secure one proposal for insurance coverage for this year – no other carrier was willing to even give us a proposal.

Since the Board has made the business decision not to purchase the buydown policy, in the event of a hailstorm, or wind event that would cause damage to the common areas, such as the roofs, the Association would levy a special assessment against the 208 unit owners for that portion of the loss that is less than the \$1.2 million deductible. For instance, if a hailstorm damaged half of the roofs (26 roofs) to the point of needing replacement at a total cost of \$1 million, a special assessment would be assessed against each unit for approximately \$4,800 (adjusted based on the size of your unit).

In doing research over the past several months, we learned that each unit owner can add “**loss assessment coverage**” to their personal condo insurance policy, which would reimburse them for any special assessment levied by the Association as a result of a covered loss such as wind or hail.

The cost for this "loss assessment coverage" is incredibly inexpensive. For example, State Farm offers \$10,000 of coverage for \$4 per year with a base condo policy, with the option to purchase an additional \$10,000 for an additional \$4 per year, or \$20,000 in loss assessment coverage for only \$8 per year.

So given the example above, of the \$1 million in hail damage, if you had the loss assessment coverage, your individual insurance policy would reimburse you directly for the special assessment cost, less your deductible, which is normally \$500 (may vary by insurance provider).

Shown below, are some of the different insurance coverages available to condo owners. We strongly recommend you make an appointment with your own insurance agent to discuss your individual coverage to make sure you are adequately protected in the event of a covered loss.

ALL unit owners should have at least the basic condo policy (also called an H06 policy) for their own protection. **In addition, we strongly urge all unit owners to add the "loss assessment coverage" to their individual condo policy.**

If you have questions or need more information about the information in this email, please contact us at 210-705-9597 or manager@lafayetteplace.net.

Thank you.

Linda Adams

Community Association Manager

Lafayette Place Home Owners Association

INFO ON INSURANCE COVERAGE AVAILABLE TO CONDO OWNERS

Most of you are probably aware that the Association, as required by our Governing Documents, has a master insurance policy that covers damage to the common areas and building structure in case of a covered event, such as fire, tornado, hail, etc.

The master policy does not, however, provide coverage for your personal belongings, nor does it provide coverage for your liability to others.

To protect yourself from potential loss, we strongly urge you to review your personal insurance requirements to make sure you have proper coverage. Listed below are types of insurance that are recommended for individual condominium owners:

HO6 Policy or Condo Policy: This basic policy covers the interior portion of your unit and/or additions or alterations to the unit, which are not covered by the master policy. This includes interior walls, floor coverings, fixtures, heating and air conditioning units, and other alterations.

Loss Assessment Coverage: This coverage is often overlooked by unit owners. Some HO6 policies already contain some level of coverage, however higher coverage options are available and are extremely inexpensive. This coverage pays for special assessments charged to you by the Association for damage to common areas as a result of a covered loss, such as fire, tornado, hail, etc. It does not cover normal fees or special assessments for maintenance of the condominium common areas.

Personal Property Coverage: This covers damage to personal items such as furniture, clothing, electronics, and other items of personal property. It is recommended that you always request "replacement cost" coverage.

Additional Living Expenses: Reimburses you for temporary living arrangements in the event of a covered loss.

Personal Liability: It is recommended that every owner carry a minimum \$300,000 limit for personal liability. Each owner should review their insurance needs in detail with their agent.

Sewer Backup Coverage: This is especially important for downstairs units. Damage to the interior of your unit which results from water that backs up from a sewer or drain is normally NOT covered under the regular HO6 or condo policy. Always speak to your insurance agent about adding this additional coverage.

Again, it is always recommended that each unit owner speak individually to their own insurance agent to ensure that they have the proper and adequate insurance coverage for their needs.

