

Date: Nov.1, 2019
To: Home owners in Third Cherry Creek Townhouse Corp.
From: The Third Cherry Creek Board of Directors
Subject: **Insurance Coverage Update**

Dear Owner:

The Board of Directors of Third Cherry Creek Townhouse Corporation (Cherry Creek 3) has renewed the insurance program for the property. We want to make you aware of the changes and remind you of the importance of having sufficient insurance coverage for your individual home in Cherry Creek 3.

The directors have approved the following renewal to the Cherry Creek 3 insurance program:

- Insurer QBE
- Agent Jennifer Matheson, Stailey Insurance
- Deductible \$10,000 (the same level as last year)
- Wind/Hail Deductible - 5% of damaged property value Per building

It is **strongly recommended** that you take this letter and meet with your insurance agent or professional to determine you have sufficient coverage in the event of a fire, wind/hail storm or personal liability lawsuit related to your property.

Navigating a claim can be a complicated and long process. Adequate and appropriate coverage can minimize the complications and time it takes to fully resolve a claim and restore you and your family to your pre-claim state. The Board wants you to know about these coverages to help you from encountering substantial losses – financially and to your property – in the event of an insurance incident.

What kinds of insurance do I need and how much coverage should I have?

No one on the Board can answer those questions, which is why we recommend that you speak to an insurance agent or professional. What each owner needs for their property depends on the size of their home, the value of the items you have in it, etc.

What types of coverage should I have?

- **Individual condo insurance (called HO6 coverage):** Cherry Creek 3 has insurance coverage for most of the exterior of your home and limited building structure inside. You, as a homeowner, are responsible for obtaining insurance coverage for the interior of your home, including drywall, plumbing, electrical, doors, windows, flooring, furnaces and air conditioning, etc. It is estimated an owner should carry coverage in the range of \$100,000-\$150,000 for repairs and debris and asbestos clean-up in the event of a disaster based on knowledge obtained from the 2015 fire. Again, this may vary on the specifics of your unit. We suggest you make sure your policy includes coverage for water damage (sewer back-ups) and lodging reimbursement in the event you are forced out of your home for an extended period of time. [NOTE: Per the HOA Declarations, the Association is not responsible for water or sewer damages inside your home, regardless of the cause of those damages.]

You also should review personal liability coverage to assure adequate limits in the event a fire starts in your home and spreads to other homes in the building. Regardless of whether the situation was caused accidentally or intentionally, the HOA Declarations state that an owner is responsible. In the event of a loss to the association that was created in your home, you will be held responsible – possibly by legal action – to pay for the HOA's insurance deductible. We were able to obtain the expiring deductible of \$10,000 again this year. Given the increasing cost of insurance, this was a

significant win. However, we may not be able to maintain this level of deductible much longer. Your liabilities for that deductible could increase, so please discuss this type of coverage with your insurance agent or professional, too.

Personal liability coverage may also provide coverage for you in the event a visitor to your home is injured or falls.

- **In addition, we also suggest each owner has personal property coverage** to replace all items inside their home, including appliances, TVs, furniture, clothing, cosmetics, décor, etc. Replacing those items would be very expensive without sufficient insurance.
- **If you own property in the Association and have a tenant**, we strongly suggest they obtain a renter's policy to cover their belongings and provide them with temporary lodging in the event of a disaster. You, as the property owner, should still have all the recommended coverages in this letter.
- **Loss Assessment coverage:** Your homeowner's policy also typically contains a provision for loss-assessment coverage. The minimum limit for this coverage should be \$10,000 given our increased wind and hail deductible. Check with your agent about the deductible for this coverage: sometimes, there isn't one. Your loss assessment coverage works in conjunction with the HOA's insurance in the event of a major claim - for example, if a tornado or hailstorm struck the complex. In the event of such a claim, the HOA's deductible could be up to \$2,000,000 up from last year's maximum of \$800,000. [The HOA's insurance for exterior damage is assessed at \$40 million. If a windstorm or hail damages the buildings or roofs, the deductible is 5% of the \$40 million – which equals \$2,000,000.] The HOA may assess each individual owner approximately \$8,000 to cover that \$2,000,000 deductible for roofs, etc. [The \$2,000,000 deductible divided by 251 unit-owners equals approximately \$8,000 each.] If your policy included loss assessment coverage, your policy would pay the \$8,000 instead of you personally.

Without insurance coverage or if you don't have sufficient insurance amounts:

- You may be homeless if a catastrophic event strikes your home here.
- You may be sued by others or the Association if a fire starts in your home and damages other homes. And you may have to pay the costs out of your own pocket if you don't have the proper insurance.
- You may have to personally pay to rebuild your home if you don't have sufficient coverage.
- You may have no clothing, shoes, food, TV or other personal items without adequate insurance.

Again, insurance is a complicated matter, which is why it is recommended that you talk with your insurance agent to assure you have coverage before a potential disaster strikes.

The Board and Association hope there never is another fire, hail storm or catastrophic event in the neighborhood. However, no one knows the future. We hope that you, as a responsible homeowner, will talk with your insurance agent or professional to help prepare you in the event another unfortunate event occurs.

Thank you,

Third Cherry Creek HOA Board of Directors