

## **MF LONG RANGE PLANNING [LRP] TEAM ASSOCIATION INSURANCE INFORMATION**

The following four headings contain information relevant to insurance, both Mountain Fairways (MF) Association insurance as well as personal insurance maintained by each owner.

### **INSURANCE PERSPECTIVE – OWNER AND ASSOCIATION**

#### **Facilities (assets)**

The insurance (commonly referred to as property damage/loss insurance) on each condo is a combination of a) the Association's insurance policy covering all 30 units, limited common elements, and common areas and b) each Owner's policy covering the Owner's personal property within the condo. The responsibility split between the Association and Owners described in the separate Architectural Design Guidelines [ADG] material is relatively clear for repair and replacement activity, and the insurance policies should be structured accordingly.

The split of responsibilities (and therefore the needed insurance policy coverage as a result) is not so clear when differing forms of natural disasters (fire, flood, tornado, etc.) or manmade disasters (arson, vandalism, etc.) might occur. Owners need to work with the Association's insurance team and/or the Association's insurance agent to be sure their individual insurance together with the Association insurance provide suitable coverage. The Association periodically reviews our coverage to ensure its scope and financial parameters are appropriate.

#### **Other insurance**

The association and each owner have additional insurance beyond the facilities/assets insurance described above. Only the association insurance will be covered in this topic. The other owner insurance (for example car, health, liability, life, etc.) is not in the scope of this document.

Liability insurance for the MF Association is covered in the insurance strategy below (1b and 1c).

### **MF INSURANCE STRATEGY**

1) As a minimum, the following should be covered by the MF association insurance:

- a) Property loss/damage insurance for the exterior, structure, and interior as built of all 30 units and limited common and common areas
- b) Liability insurance for the association in general, as well as its board and officers
- c) Liability insurance for other association volunteer personnel

2) Require HOA contractors to have appropriate insurance, in particular liability insurance, as part of the contract/agreement terms. ***Understanding what this entails will require additional work by B&G.***

## **MF INSURANCE PRACTICES**

1) MF Insurance Team – for each board year (which runs August 1st of one year through July 31st of the following year) the board establishes the membership and leadership of the team.

The current MF insurance Team (within the Planning & Practices team):

- a) team leader – Rick Jordan
- b) team members – Arleta Bell, Susan Novy, John Gaddis.

The team will utilize other association personnel or outside resources as needed.

2) We have the following insurance providers for our insurance needs:

- a) insurance agency/office: American Family Insurance [601 Community Drive, EP 80517]
- b) insurance agent for MF: Danielle Arnold [email [darnol4@amfam.com](mailto:darnol4@amfam.com) , phone 970 586-8420]
- c) insurance underwriters (including policy numbers):
  - Businessowners policy: policy #05 XR0938-01
  - BUSINESS KEY POLICY: policy #05 XR0938-02
  - NON-PROFIT DIRECTORS & OFFICERS LIABILITY POLICY: policy #05 XR0938-03

The insurance underwriter for all of these is American Family Mutual Insurance Company.

d) MF location of copies of our current policies: electronic files of declarations and full policies are stored on the Jordans' computer and backed up to the cloud.

3) Annually review our levels of coverage and our deductibles to ensure they meet a risk level acceptable to the board and meet insurance requirements as stated in the Declarations. Document that information and make it available to the owners – possibly at the annual Owner's Workshop.

4) Maintain a list of questions and/or issues along with the resolution that results after the appropriate research and analysis are completed. See Attachment One for the current format and content of this material.

5) Annually review our insurance policies and our insurance strategy and our insurance related business practices to ensure they meet the current and anticipated future needs of our organization.

6) Periodically (3 – 5 years) obtain estimates from at least 2 other insurance companies for comparable coverage to determine if the current insurer is competitive or if we could cut costs without sacrificing coverage by using another insurer.

## **BACKGROUND**

1) Initially this insurance information was part of a document that covered *HOA Versus Owner Cost Responsibilities*. Two perspectives were presented – one was a Structural (facilities) Perspective and one was an Insurance Perspective.

2) With the creation and approval of the initial version of the Architectural Design Guidelines in 2019 (both the detail document as well as the two page summary version), the Structural Perspective portion of the *HOA Versus Owner Cost Responsibilities* information has been moved to that material.

3) This new document has been created to deal with the Insurance Perspective portion of that previous document. It will also be the documentation of two sets of insurance related information: a) an insurance strategy and b) our current association insurance practices.

The MF Long Range Planning [LRP] Team is currently partnering with the MF Insurance Team to achieve a final draft version which can go to the board for review and approval.

4) When the initial version of our MF Personnel Policies & Guidelines [PP&G's] was recently created, one item was removed until analysis and research could be done by the MF Insurance Team (see issue #6 in Attachment One).

5) At the 9/20/20 board meeting the board approved making the insurance function one of three functions handled by the new Planning & Practices [P&P] Team (with Claudia Jordan as the team leader of the new team). It is expected that the same four individuals that were Insurance Team members will now handle the insurance function for the P&P Team.

## ATTACHMENT ONE

### Current Questions And/Or Issues Being Addressed

1) Determine whose liability insurance policy (association or owner or both) would be involved should an event occur creating a possible liability exposure on/in a limited common element of our MF community. [the responsible party in the case of such an event occurring within an individual condo or on/in an association common area is straightforward].

***Answer: the circumstances of the event would dictate which insurance carrier would cover the event (or how the event coverage would be shared by the two if that were the case).***

2) Understand how our property damage/loss is structured and how it would be applied in the following situations:

- a) a single duplex or triplex (or possibly just a component that belongs to one owner) is damaged or destroyed
- b) our entire set of duplexes and triplexes are damaged or destroyed

How would the association insurance partner with an owner's individual insurance.

***Answer: for both "a" and "b" the answer is the same – the HOA has full replacement coverage which includes the exterior as well as "walls in" for the interior based on the 'as built' status. The owner's insurance would cover replacement of personal property. If the owner's insurance has duplicate coverage for the "walls in" component, the two companies would work it out.***

3) Determine whether our current Directors & Officers Liability policy covers all three levels of our volunteer personnel:

- a) board members and officers
- b) committee and team chairs/leaders
- c) all other committee and team volunteers

As part of this analysis, determine if participants in sponsored association events (such as a B&G Work Day) are covered.

***Answer: yes, all three levels.***

4) Understand how our general liability coverage would apply should there be injury to a third party (or damage to their property) – also understand how that coverage would apply should the injured or damaged party be an association owner and/or volunteer.

***Answer: in both cases we have coverage, both for treatment of the injury as well as liability protection should a lawsuit be involved. American Family says owners cannot sue Association as this would involve 'suing yourself'.***

5) Understand how our association insurance versus an independent contractor's insurance would apply in the two representative situations that follow:

- a) the contractor injures someone or damages their property while working on a project contracted by the association with that contractor
- b) should a contractor person be injured or his/her property damaged by association personnel while working on a project contracted by the association with that contractor

***Answer: in the first case, the contractor insurance would cover the event; in the second case, our HOA insurance would cover the event. See the next item which deals with an "a" event and it involves a***

***contractor that does not have the correct insurance (which is something we normally require of our contractors).***

6) Adopt an approach for balancing the tradeoffs of providing some form of insurance or accepting the risk of not having some form of insurance coverage. A particular example of this would be our decision on how to handle Edgardo's case, since he has not been able to provide the normal insurance we expect of our independent contractors but we like using him on HOA handyman small projects because of his capabilities and low cost factors.

***Answer: at the current time we do not have a documented adopted approach; this issue is not yet resolved relative to our HOA Handyman role (we now have more than Edgardo filling that role).***

7) How soon will the gap between our annual insurance related revenue and expense be fixed (a recently identified current problem, both for this year and in the board approved August version of the 2021 Budget.

***Answer: the finance team will address this when doing the work in January 2021 to revise the 2021 Budget (done annually once the full year financials are available); a current draft of what the recommended solution will be furnished to the insurance function leader of the Planning & Practices Team.***

8) When will a possible paradigm change (being promoted by a current member of the insurance function) in how we handle the insurance component of the MF assessments be addressed?

***Answer: the finance team has already responded to the insurance function leadership that it is their view that change is not needed nor warranted – so unless the insurance function brings forward a proposal to be considered, no paradigm change will be considered.***

9) Understand how our deductible works in general relative to property damage/loss and whether there are any specific cases in which the deductible would be applied differently than the general approach.

***Answer: We do have a deductible (paid by HOA) which is:***

***a) \$1000 for damage to a single structure***

***b) \$500 for broken glass***

***c) \$5000 for vandalism***

***It applies to each insurance claim, and as far as we know there are no special cases that are handled differently than the general approach.***

10) Understand how the annual adjustment done by the insurance company to coverage limits and premiums works, and how it achieves full replacement coverage.

***Answer: Our coverage is by buildings (we have twelve buildings, six duplexes and six triplexes). The current 2020 values for the buildings range from \$419,501 to \$1,429,657 with the total value being \$10,042,910 (an average of \$334,764 across our 30 condos). An important factor in the full replacement value arena is that the risk associated with there being a gap between the policy coverage limit and the actual replacement cost should a disaster occur is on the insurance company.***

#### Archived Answered Questions And/Or Resolved Issues

None at this time – ***however, items #1 and #2 and #3 and #4 and #5 are ready to be archived after the insurance function confirms the answer is both a) complete and b) accurate.***