





NEWSLETTER

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 www.associs.com

 503.987.8520

 newsletter@associs.com

Realistic Property Deductibles

Property deductibles are on the rise for many community associations. These deductibles are important because they help shift some of the risk to the policyholder, who becomes responsible for a portion of any loss. Within community associations, it is common for the deductible to be passed to individual owners for unit damage and to all owners for common area damages. However, the recommended deductible amount can vary depending on the property and type of coverage.

A condominium community or homeowners association with attached homes that is required to carry insurance on the buildings uses the association's policy when damage exceeds the deductible. There is a difference if a community is only required to insure for Barewalls (exterior only) versus All-inclusive (including interior units).



Barewalls

- Required to insure the exterior of the homes, like a common element, the association is responsible for the deductible. Sudden and accidental losses to the exterior are reduced significantly with the association controlling the common property. Higher deductibles are not always recommended because the association needs to fund the deductible. Depending on prior losses, associations tend to stay with a \$10,000 per occurrence deductible, funded through the reserve study.

All-Inclusive

- Insuring the units increases the risk of claims because the association relies on the unit owner or tenant to maintain the unit and prevent claims. Given that unit owners are responsible for the association's deductible, it's not uncommon to see associations carrying \$25,000 to \$50,000 deductibles, either on a per occurrence basis or per unit basis. Associations with stacked units, like condos or high-rise buildings, often have per unit deductibles to offset the risk of larger water damage claims.

HOAs or Planned Unit Developments

- These communities, which have no responsibility to insure buildings except for common area property such as a clubhouse, mailboxes, or fences, often have lower deductibles like \$1,000 or \$2,500 per occurrence. Higher deductibles, such as \$5,000, might be considered for communities with prior claims activity or higher values in common property.

Communities with a record of prior claims are seeing carriers offer even higher deductibles, such as \$100,000 or even \$250,000 in severe cases. Claims can be prevented, and if a community is proactive in structuring deductibles to avoid filing smaller claims, especially within units, it can protect the association as a whole. It's crucial for every community to implement an insurance resolution that clearly communicates deductible responsibilities to protect the association effectively.

Underwriting Issues: Horizontal Railings

When it comes to railings on condominium and HOA buildings, safety is paramount. One particular design element that often raises underwriting concerns is the use of horizontal railings. While they may offer a sleek, modern aesthetic, they also present several potential risks that insurance underwriters must consider.

Horizontal railings can act like a ladder, especially for young children. The spacing between the horizontal bars can make it easy for children to climb, leading to potential falls from heights. This climbing hazard is a significant safety concern that could result in serious injuries, increasing liability for the condo association. Whether located outside on decks or inside near staircases, horizontal railings pose problems for insurance carriers. As a result, many carriers are no longer accepting buildings with horizontal railings, limiting the available insurance options for community associations.

To address this liability exposure, community associations can consider several solutions. The ideal option for insurance carriers is to completely modify the railings and replace them with vertical railings spaced 4 inches or less apart, meeting code requirements. However, this can be costly and requires extensive planning. Another, more immediate solution is to cover the horizontal railings with a permanent mesh or privacy wall screen. This creative, temporary fix can satisfy insurance carriers until the association can plan for a permanent solution.

Understanding these risks and taking proactive measures to mitigate them can help in maintaining safety and keeping insurance costs manageable.





Owners Curious Questions:

After a loss, what is the timeframe for being able to move back in?

A: Every loss is unique, but more severe losses can extend reconstruction times, keeping owners out of their homes for longer periods. Several factors can exacerbate the duration of displacement. A major factor slowing down reconstruction is delays in products and disruptions in the supply chain. Additionally, the demand for labor among service providers can impact project timelines. For instance, during our January winter storm, there were not enough contractors to handle the extensive damage caused by freezing weather.

Another reason for delays is the lack of communication and follow-up among multiple parties, including the owner, association Board, community manager, adjusters, and contractors. The communication involved in a claim can be overwhelming, but efficient communication can make the process smoother and reduce delays. Requesting expected timelines and consistent follow-up can help keep the claim moving forward.

It's not uncommon for an owner to be out of their unit for a few months, depending on the severity of the claim. Extreme cases, like a fire or significant water loss, could result in delays of six to twelve months or longer. Check with your personal agent to ensure your loss of use coverage is sufficient for a worst-case scenario to provide the best protection.



Update of the Month:

Fire Extinguishers

Having a fire extinguisher in every unit is essential, but knowing how to use it is even more crucial. A handy fire extinguisher can prevent a fire from spreading, thereby avoiding injury and extensive damage to the building. Not all associations are required to have them on the exterior of the buildings and its important owners keep them inside the units incase of an emergency. During the summer months, when grilling is common, it is especially important to have an operable fire extinguisher nearby. Barbeque grills can get extremely hot and become a fire hazard to the building if not pulled far enough away from the structure.

Fire departments offer education and training on safety and proper use methods. It's recommended to replace fire extinguishers every ten to twelve years and inspected annually. Tualatin Valley Fire and Rescue provides demonstration videos and other resources for associations and owners to explore. For more information, visit [Fire Extinguishers | Tualatin Valley Fire & Rescue.](#)



SARA EANNI, CIRMS, MBA

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newsletter@associs.com

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CORPORATE TRANSPARENCY ACT

UPDATE: CAI Files for Federal Amicus Brief

Read More:

<https://advocacy.caionline.org/cai-files-federal-amicus-brief-arguing-the-constitutionality-of-the-corporate-transparency-act/>

FILINGS REQUIRED BY
JANUARY 1ST 2025

