

OCTOBER 2024

Importance of an Insurance Resolution



Insurance resolutions are a vital part of an association's governing documents, providing guidelines on insurance coverage and claims requirements for both owners and the Board of Directors.

These resolutions help safeguard the financial health of the association and balance the risk between individual owners and the association as a whole. While insurance resolutions cannot contradict the Bylaws, they can offer clarity on various sections and establish specific expectations and guidelines.

Typically, an insurance resolution includes several key components:

- **Coverage Requirements:** This section outlines the necessary property coverage for both owners and the association. It can also define liability coverage limits for owners, tenants, and commercial tenants.

- **Deductible Allocation:** The resolution should specify how deductibles are allocated when a loss occurs, addressing damage to both unit and common area property. It should also clarify how claims are handled when one or more units are involved including negligent and non-negligent situations.
- **Claims Processes and Expense Allocation:** This section provides guidelines on how claims are processed and how related expenses are allocated. It's important to recognize that claims expenses, such as those incurred by community managers assisting with claims, are typically billed on an hourly basis and may not be covered by standard insurance policies. Although community managers can be helpful, associations should consider creating a role or committee dedicated to managing claims in the community.

If your community does not have an insurance resolution or hasn't updated the existing one in the past 10 years, I encourage you to make it a priority—if not at your next meeting, then certainly by the start of the new year. I have sample resolutions available for review, but it is essential to have your association's attorney finalize the document. Working with an attorney ensures the resolution is properly drafted and avoids potential liability. These proactive steps are an investment in the community and help protect its assets.

Claims Story: Maintaining Heat: Policy Condition

Winter is just around the corner, and as colder temperatures approach, it's important for Boards and owners to be prepared for freezing conditions. Maintaining heat in units and common areas during cold weather is often a requirement in insurance policies, and failure to meet this condition can lead to claims being denied. While specific requirements may vary by policy, most insurance policies mandate that the heat must be maintained at or above 50-55 degrees.

We recommend that owners, whether leaving their home for short or extended periods, ensure the heat is not turned off and is set to at least 55 degrees or the temperature specified in their policy. Board members should also remember to monitor common areas, such as clubhouses or meeting rooms, to ensure these spaces are properly heated.

I've worked with an association that unfortunately faced a denied claim because this exclusion applied. The association's HVAC system broke in November, and while they immediately hired a contractor to fix the issue, the parts were back-ordered and didn't arrive until January. In December, the area experienced extremely low temperatures during the holiday season, causing two pipes to burst in the association's clubhouse.

The insurance policy excluded damage from freezing unless one of the following three conditions was met:

1. **Heat is maintained in the building, structure, and "unit" ; or**
2. **All the equipment is drained and the supply is shut off if the heat is not maintained; or**
3. **If the plumbing and related equipment cannot be completely drained and shut off, heat must be maintained in the building, structure, and unit.**

The insurance company denied the claim, citing that the Board knew freezing temperatures were coming and could have taken further steps to prevent the loss. In this case, the association should have explored either draining the water lines or finding an alternative heat source until the HVAC could be repaired.

This unfortunate situation serves as a learning opportunity for Boards to critically assess their own community's exposure to similar risks. Proactively thinking through these scenarios can help avoid costly exclusions and ensure the association is properly protected during extreme weather conditions.

Please share this newsletter with owners to help spread awareness and encourage preparation.





Owners Curious Questions:

What are the best practices for an owner when hiring a contractor?

A: When unit owners need to hire a contractor—whether for a remodel or to address damage—choosing the right contractor is crucial. Here are a few tips to consider:

1. **Look for contractors experienced in working with community associations.** I recommend visiting www.caioregon.org, a great resource that supports and provides information for community associations and managers.
2. **Owners should sign contracts for work done in their unit, while the association is responsible for signing contracts for work in common areas.** Mitigation may be an exception since the association has the fiduciary duty to take action quickly to prevent further damage.
3. **Insurance companies use industry-standard software to assess damages and establish the agreed-upon value they are liable for.** Some contractors may have higher costs that aren't covered by the insurance policy, so it's important for owners to understand they will be responsible for covering any difference if they choose such a contractor.
4. **Ensure that any contractor or service provider working in the association or a unit has proper insurance,** and collect proof of insurance before work begins listing the association as an additional insured.



Update of the Month:

Galvanized pipes

Galvanized pipes are not eligible for coverage with most insurance carriers, including those in high-risk markets. These pipes corrode over time, leading to breaks and costly water damage. Commonly used in buildings from the 1960s to early 1980s, it's essential for your community to check for galvanized piping.

If present, begin planning for replacement immediately. Ideally, the entire community should replace the pipes at once to minimize risk. Though this may seem daunting, I encourage the community to consult several experts, including your insurance agent, to provide guidance and support. Proactive replacement is critical to maintain insurance eligibility and protect the community's financial health.



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Reach out to us and let us know what you're thinking.

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Industry Events

Oct.
11



Western OR Education
Roberts Rules and Running an effective Board meeting

Oct.
17



CORC Education
Maximizing your Reserve Study

Nov.
14



Western OR Annual Gala
Formal Event and new election of officers.

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