



# JUNE 2025 NEWSLETTER



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## Choosing the Wrong Contractor is Costly

When boards choose a contractor, the pressure to stay within budget can tempt even the most well-meaning association into cutting corners—but the cheapest bid often comes with the highest long-term price. Hiring an unqualified, uninsured, or poorly vetted contractor opens the door to construction defects, failed inspections, and liability exposure that insurance may not cover. One mistake can trigger a chain reaction: water intrusion, mold, structural damage, lawsuits—and ultimately, special assessments. The fallout doesn't just affect the building; it affects your owners' wallets and your association's insurability for years to come.

Boards carry a fiduciary duty to protect the financial and structural health of the community. That includes doing due diligence before awarding contracts: verifying licensing and bonding, confirming insurance certificates with correct endorsements, and ensuring the scope of work is clearly defined and properly supervised. Insurance carriers are paying close attention. A history of claims tied to poor workmanship or defect-related losses can lead to higher deductibles, restricted coverage, or even non-renewal of your policy.

For unit owners, this matters too. Many governing documents make them responsible for repairs inside their unit or for damage up to the association's deductible. If their contractor causes a loss—or if the board's selection leads to broader issues—owners could be left footing a bill they didn't see coming. Risk management starts with contractor selection. Don't just pick the lowest bidder—choose the one that protects your community in the long run. CAI is a great resource to find industry specific contractor specialists. [www.caioregon.org](http://www.caioregon.org).



### Coverage Corner:

## Back up of Sewer and Drain, & Overflow

It's the kind of damage no one wants to deal with—sewer or drain backups that flood units, ruin flooring, and create chaos. But when it happens, the big question becomes: Who's responsible, and is it covered? The answer often hinges on a technical but crucial detail—where the clog originated. Association (commercial) policies generally only respond when the blockage is outside the building, while personal lines policies (like an HO-6) usually kick in when the source is inside. It's a subtle distinction that can mean the difference between a covered claim and a hefty out-of-pocket bill.

Even if coverage is triggered, many policies come with surprisingly low limits—sometimes just \$5,000 to \$10,000 for backup and overflow damage. That might barely cover cleanup, let alone repairs. And for buildings with stacked plumbing or shared systems, a backup can impact multiple units fast. If the source of the clog is inside the building, both unit owners and the association could find themselves underinsured. Now is the time for both boards and homeowners to review their policies, understand the definitions, and make sure limits reflect the true risk. A little extra coverage can go a long way in protecting your community from a very messy—and expensive—surprise.



## Owners Question

# HO-6 Home Policy

## Is back up of sewer, drain and overflow covered on an HO6 policy?

This is an important question—and one every unit owner should understand. Homeowners should make sure their HO-6 policy includes coverage for backup of sewer, drain, and overflow. Many policies include only a minimal sublimit, often around \$5,000. If the association's deductible is \$25,000, and a loss like an overflowing washing machine, sink, or toilet occurs, the owner could be underinsured by \$20,000. Increasing this limit is a smart and often affordable way to reduce financial exposure. A quick review with your insurance agent today can save you from a costly surprise tomorrow.

## Update of the Month:

## AC Components

As temperatures rise, keeping your air conditioning system in top shape is more than just comfort—it's about preventing costly damage. While replacing the air filter is a good start, issues like clogged condensate lines, full drip pans, frozen evaporator coils, or poorly insulated refrigerant lines can all lead to water damage, mold, or even fire hazards. For condo owners, a small leak from one unit can impact multiple homes and trigger expensive insurance claims. A seasonal inspection by a licensed HVAC professional typically costs \$150-\$250 and can catch these issues early. If you're using a window unit, be sure to clean or replace the filter monthly, inspect for mold buildup, and check that the unit is tilted slightly downward outside to allow proper drainage. Regular upkeep isn't just smart—it's great maintenance etiquette that protects your home, your neighbors, and your wallet.



### Upcoming Industry Events

7/17

Central Oregon  
Membership Social

7/24

Western Oregon  
Summer Cruise

8/8

Western Oregon  
Education-Management  
Reports and Meetings

8/21

Central Oregon  
Education-Understanding  
Developers Rights

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