



Ella Washington Agency, Inc.

“Protection You Can Trust”

Welcome To.....

HOA Insurance 101

By: Ella Washington & Kelly Hart



Ella is a 20 year veteran in the HOA Insurance industry. Achieving a spot nationally with American Family Insurance, Ella is named one of the top writers in the nation for HOA insurance.

Ella Washington established her agency in 1996. Being an advocate to her HOA Board Members and Managers is always her top priority and is the foundation of her success. Ella's agency is licensed in all of American Family's operating states.



Kelly has been in insurance for 36 years. 35 of those years has been in Claims (25 years as a Claim Mgr.) He has previous experience with national and international commercial insurers. Kelly now works as a Commercial Sales Consultant. He is licensed in Colorado, Utah, Nevada and Arizona. Kelly has an extensive work history with HOA's.

HOA Governing Documents (aka CC & R's)

I. Insurance Section

- I. Specific Coverage required for the HOA
- II. Specific Coverage required for Unit Owners
- III. Acceptable Deductibles for the HOA
- IV. Admitted Insurance Carriers vs. Non-Admitted Carriers
 - I. Division of Insurance Rules & Regulations
 - I. 30 Day Cancellation Notice (Required by Lenders)
 - II. 45 Day Non-Renewal Notice
 - I. Insurance Companies that choose not to do business in Colorado anymore
- V. Financial Stability of an Insurance Company
 - I. A.M. Best (non-bias company that rates insurance companies)



Building Coverage

- I. Replacement Cost vs. Actual Cash Value (aka ACV)
- II. Interpretation of the HOA's CC&Rs (Insurance Section)
 - I. All Inclusive
 - II. Bare Walls
 - III. Betterments & Improvements
 - IV. Other Countless Ways CC&Rs read
 - I. Ambiguous verbiage
 - II. HOA Coverage is Primary when both HOA & unit owners have the same coverage
- III. CCIOA (Colorado Common Interest Ownership Act)
 - I. Issues faced by insurers is the interpretation of CC&Rs
 - I. New Statutes in states like Utah
- IV. Maintenance charts/provisions vs. Insurance provisions
 - I. Origin of the peril that caused the loss
 - II. Ownership of the Property does not create "Negligence"
 - III. Insurance contracts are not triggered without "Legal Liability" which can place an uninsured exposure on the Unit Owner
- V. Auxiliary Buildings (usually separate coverage listed on the insurance policy)
 - I. Clubhouse
 - II. Shed
 - III. Detached Garages/Carports
 - IV. Retaining Walls
 - V. Gazebos
 - VI. Landscape

Deductibles

- I. Wind/Hail Deductible %
 - I. Deductibles typically offered are 1%, 2%, 3% 5% & 10%
 - II. % based on the value of the buildings
 - III. Deductible is usually per building
- II. Flat Deductible
 - I. Usually Per Building Deductible
- III. Per Unit Deductible
 - I. Water damage
 - II. Sewer back up
- IV. Cosmetic Loss or Cosmetic Damage Exclusions
 - I. Definition of Cosmetic Loss or Damage
- V. Wind/Hail Buy-Back Deductibles
 - I. Separate Policy that can be purchased to off-set the wind/hail %
 - II. Policy usually can be financed for monthly payments
 - III. Buy-Back policy follows coverage of the Master HOA Building policy (R/C; ACV or Cosmetic Damage Exclusion)



Ordinance & Law Coverage

I. Code issues for roofs

- I. Cannot repair a few missing shingles, need to bring the roof up to code
- II. “Green” building codes, again, will not allow for repairs

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Unit Owners' Responsibility

- I. Outlined in the HOA's CC&Rs Insurance Section
- II. Insure for the HOA's Deductible in the event the claim is deemed the unit owner's negligence
 - I. Interior HO6 policy should cover interior responsibility plus HOA's deductible
 - II. Waiver of Subrogation
 - I. ISO insurance policies bar subrogation on behalf of an HOA toward a Unit Owner
 - II. Most CC&Rs ban subrogation back to a Unit Owner
 - III. CCIOA bans subrogation from an HOA to a Unit Owner Loss
- III. Assessment
 - I. Coverage Unit Owners need to carry on their Interior HO6 policy
 - II. Coverage only applied when Each Unit Owner is Specially Assessed due to a covered Insurance Claim
 - I. Many Unit Owners have No HO6 coverage, let alone loss assessment coverage
 - II. Some HO6 companies will only cover \$1,000 toward a loss assessment or Exclude coverage if the claim involves wind or hail damage
 - III. This puts added pressure on HOAs and Managers in being able to collect special assessments



Directors & Officers' Liability Coverage

- I. Full Retro-Active Policy
- II. Extends Coverage to HOA Managers (additional insured)
- III. Covers Non-Monetary Damages
 - I. 80% of D&O claims are non-monetary claims
 - I. Non-monetary claims are claims that do not result in a financial loss
 - I. Handicap parking not close enough
 - II. An owner sues the board in attempt to force the board to enforce a new provision in the CC& R's
 - III. Owner contests the results of an election & demands a new election
 - IV. Someone complains because one association member can have pets and another cannot or doesn't want an owner to have a specific type of pet they may consider dangerous.
 - V. Trees grow to obstruct the view of a unit owner and they sue the HOA.
 - VI. Someone complains about the color a house/building is painted.
- II. A comprehensive D&O policy will pay legal defense outside of the policy limits



Crime / Fidelity Policy Covers

1. Embezzlement
2. Fraud
3. Forgery
4. Money transfer fraud
5. Computer fraud

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I. Not the same as employee dishonesty

II. FHA Requirements

I. 3 month dues plus annual reserves

III. CCIOA compliant

I. 2 months dues plus annual reserves

IV. HOA manager needs to be listed as additional insured



Umbrella

- I. Extends liability coverage from the base of the master liability policy
- II. Has a Retention Amount (same as a deductible)
- III. Ideally the Umbrella Coverage will extend to the D&O policy

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Volunteer Workers Compensation for HOA's

I. Specific policy designed to cover volunteers for the HOA

I. Spring clean up

II. Changing a light bulb in the clubhouse

III. Golf cart incident during a routine inspection

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Public Adjusters

- I. Who are they & what do they do?
- II. How are they paid?
- III. How does this affect an HOA?
- IV. How does this affect Insurance companies?

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Flood Claims

- I. HOA are only obligated to carry coverage if the building is in a Flood Zone
- II. No first party coverage exists
- III. Unit Owners sued their own HOA
 - I. Drainage problems
 - II. Berms to prohibit flood damage
 - III. Does the HOA have properly documented minutes of Board meetings. Was drainage issues discussed or voted on. Assessments discussed?

Claims

I. Hail

- I. Cosmetic damage exclusion

II. Plumbing breaks

- I. Per unit deductible

III. Fire

IV. Snow load/ice damming

V. Slip-n-falls



Thank You For Your Time!!



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