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Insurance Coverage: What You Don't Know Will Cost You Thousands

By: Kareen Kinzli Larsen
Realtor at RE/MAX Alliance

Condos, townhomes or patio homes are perfect for easy-living with low maintenance and little to worry about. The HOA maintains the landscaping, shovels the snow, and covers the big expenses such as exterior painting or roof replacement. I'm here to tell you, there is a storm brewing over your convenient maintenance-free lifestyle, and it is a hailstorm.

According to the National Insurance Crime Bureau (NICB), Colorado ranks #2 for hail claims. In 2017, Colorado experienced the most expensive hailstorm in history with NICB reporting 2.3 billion in damages. Don't think the insurance companies are ignoring these facts.

Subtle changes to the HOA's insurance policies have left local homeowners footing the bill of new high-dollar deductibles. Wellington Pointe Townhomes issued a \$2,015 per unit special assessment last year. Storybook Patio Homes in northeast Fort Collins just asked each homeowner to pay \$6,000 towards the roof deductible. Will your HOA be next?

Here is what is happening. As rates increase, multi-family homeowner's associations responsible for the master insurance policies for the association are looking for costs saving options, primarily in the form of increased deductibles. While some insurance companies are offering the traditional option of a fixed deductible, many are moving to a percentage-based structure to reduce insurance rates to keep monthly HOA fees low. HOAs are opting for deductibles that are 1%, 2%, 5% or even 7% of the total value of the damaged structures. For example, if there are 4 buildings in a multi-family development, each with 6 units valued at \$300,000 each, the total value of the complex is \$7.2 million. If all the buildings are damaged in a hailstorm, the deductible on a 2% policy would be \$144,000. A 5% policy would be \$360,000. If the HOA does not have those funds in reserves, they will be looking to the individual unit owners to make up the difference in the form of a special assessment.

There is a simple solution to avoid shelling out thousands to your HOA. Call your insurance company and add a "Loss Assessment" or "HO-6" policy to your individual interior-only insurance policy. In the event your HOA issues a special assessment, the insurance company will cover the special assessment less your deductible (which can be as low as \$1,000).



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