

AMESBURY WEST ANALYSIS OF INSURANCE DEDUCTIBLES

NOTES:

1. AW carries hazard insurance on the dwelling units via a master policy.
2. The AW policy year runs from Oct. 21 each year for 12 months to Oct. 21 of the next calendar year.
3. The policy premium is allocated and billed to residents in Sept. of each year.
4. The AW total insurance premium is approximately \$36,000 including the structure policy and 3 other minor policies (crime & embezzlement, D & O and secondary work comp coverage).
5. Premiums for all 4 policies are allocated based on Hennepin County Jan. 1 current year assessed values of improvements (total assessed values less land value of \$108,000 for townhomes and \$169,000 for courtyard homes).
6. AW's insurance is provided by Travelers through our agent (Paul Halbert, P & H Ins. 952-829-1655)
7. Our prior structure coverage through Westfield was not renewed in 2015 due to Westfield's decision to exit the condo insurance business.
8. Our coverage on structures is on an "all in" replacement cost basis meaning they cover from the exterior wall finishings to the interior wall finishings including all built-ins but excluding all personal property (furniture, clothes, dishes & pots and pans, etc.)
9. Deductibles: \$25,000 for each covered loss, 2% of "value" for windstorm and hail and \$50,000 for sump pump and sewer backup.
10. Residents are urged to secure individual HO-6 policies that cover their personal property, "allocated loss" deductibles and also provide liability coverage (the AW BOD has suggested \$50,000 of "allocated loss" coverage on HO-6 and also specific coverage for sump pump and sewer back-up in the amount recommended by the resident's agent).

TOPICS FOR DISCUSSION:

1. Why does AW insure the structures under a master policy?
 2. Why is the windstorm and hail coverage deductible 2% of "structure value" vs. \$25,000?
 3. How is structure value determined?
 4. How is "allocated loss" calculated?
 5. Why is sump pump and sewer back-up deductible at \$50,000?
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1. Master Policy: State condo laws permit, AW organization documents require and significant management issues if residents permitted to insure individually.
 2. 2% of "structure value" deductible for windstorm and hail: insurance underwriting considerations.
 3. AW structure identities and value calculations: (see examples below).
 4. Calculating allocated loss: approved by AW BOD based on Travelers loss estimates.
 5. Underwriting considerations on sump pump and sewer back-up coverage—I do not believe we have any sump pumps—any sewer back up is unlikely to exceed \$50,000 unless it affects multiple units.

Examples.

- A. Take TH units 4631- 4641— six units valued at maybe \$450,000 each = \$2.7 million less land value of \$108,000 each or \$648,000 indicates net value (improvements only) of \$2,052,000. The W & H deductible of 2% is \$41,040 total for the six units—allocation made based on per unit damage estimates.
- B. Take ct. yd. units 4760 and 4770 — total value of \$1.7 million less land value of \$169,000 each or net value of \$1.362 million for improvements only with a W & H deductible of \$27,240.

NOTE: (1.) Both examples demonstrate the possible need for allocated loss coverage above the basic deductible of \$25,000—IF it is assumed that W & H damage is disproportionately sustained by only one unit (an admittedly unlikely event); and (2.) These examples are based on Hennepin Cty. Values which are based on estimated market values and NOT insured replacement values that are likely to be higher than market values.

Last point—no reason to change allocated loss recommendation of \$50,000 based on above W & H examples and also per our agent who says they never recommend HO-6 allocated loss coverage of less than \$50,000. Also the BOD suggestion on the need to carry specific sump pump and sewer back-up coverage on HO-6 policies is obvious given the large deductible.