

January 8, 2019

Chinquapin HOA
PO Box 6001
Tahoe City, CA 96145

Re: Annual Insurance Disclosure

Dear President, Board of Directors and Management,

It has been our pleasure to serve Chinquapin HOA over these past several years. We truly value your business and appreciate your continued confidence in Gordon Insurance.

It is my pleasure to confirm that we have renewed/ placed the following insurance policies for your association :

Package	12/15/2018 - 12/15/2019
Directors & Officers	01/01/2019 – 01/01/2020
Crime	01/01/2019 – 01/01/2020
Workers Compensation	03/15/2019 – 03/15/2020

Pursuant to the Davis-Stirling Common Interest Development Act which went into effect on January 1, 1986 as California Civil Code 1350-1378, and rewritten effective January 1, 2014 as California [Civil Code §§4000-6150](#) there are specific requirements relative to notifying property owners within the association about the Association's insurance policies and coverage.

As a benefit to the association, we have prepared the following documents to assist you with the process of complying with the Code. Please be sure to distribute these documents to the unit owners. The relevant Code is copied on page two of this letter for your review.

I have included a "Notice to Unit Owners" which is NOT required but may be used as it will assist owners in fine-tuning their HO6 policies.

Thank you for the opportunity to serve.

Sincerely,



David B. Gordon, C.L.U.
President

INSURANCE DISCLOSURE REQUIREMENTS – REQUIRED WORDING

Davis-Stirling Act Civil Code §5300.

[Old: Civ. Code §1365(f)(4)]

(9) A summary of the association's property, general liability, earthquake, flood, and fidelity insurance policies. For each policy, the summary shall include

- the name of the insurer,
- the type of insurance
- the policy limit
- And the amount of the deductible, if any.

To the extent that any of the required information is specified in the insurance policy declaration page, the association may meet its obligation to disclose that information by making copies of that page and distributing it with the annual budget report.

The summary distributed pursuant to this paragraph shall contain, in at least 10-point boldface type, the following statement:

This summary of the association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.

January 8, 2019

To the Property Owners of Chinquapin HOA:

The information below is being delivered pursuant to California Civil Code, Section 5300. If you have any questions or need additional information, please contact your Board of Directors.

A. PROPERTY INSURANCE

- | | |
|------------------------------|-----------------------------------|
| 1. Name of Insurer: | First Specialty Insurance Company |
| 2. Effective Dates: | 12/15/2018 - 12/15/2019 |
| 3. Property Coverage Limits: | \$ 125,000,000 |
| 4. Property Deductible: | \$100,000 |
| 5. Water Damage deductible: | \$100,000 |

B. GENERAL LIABILITY INSURANCE

- | | |
|----------------------------------|----------------------------------|
| 1. Name of Insurer: | Lexington Insurance Company |
| 2. Effective Date: | 12/15/2018 - 12/15/2019 |
| 3. Limits of Liability: | \$1,000,000 OCC/ \$2,000,000 AGG |
| 4. General Liability Deductible: | NA |

C. DIRECTORS & OFFICERS LIABILITY INSURANCE

- | | |
|-------------------------|-------------------------|
| 1. Name of Insurer: | Continental Casualty |
| 2. Effective Dates: | 01/01/2019 - 01/01/2020 |
| 3. Limits of Liability: | \$ 1,000,000 |
| 4. Retention | \$ 2,500 |

D FIDELITY INSURANCE

- | | | | |
|---------------------|-----------------------------|-----------------------------------|--------------------------|
| 1. Name of Insurer: | Continental Casualty | | |
| 2. Effective Dates: | 01/01/2019 - 01/01/2020 | | |
| 3. | <u>Coverage Form</u> | <u>Limits of Coverage:</u> | <u>Deductible</u> |
| i) | Employee Theft | \$1,000,000 | \$5,000 |
| ii) | Forgery or Alteration | \$100,000 | \$250 |
| iii) | Theft, Disap/Destruction | \$25,000 | \$0 |
| iv) | Computer &
Wire Fraud | \$1,000,000 | \$5,000 |

E. UMBRELLA LIABILITY INSURANCE

(Applies to general liability, directors & officers & owned Autos if disclosed below in "Auto" section)

- | | |
|-------------------------|-----------------------------|
| 1. Name of Insurer: | Lexington Insurance Company |
| 2. Effective Dates: | 12/15/2018 - 12/15/2019 |
| 3. Limits of Liability: | \$25,000,000 |

F. WORKERS COMPENSATION INSURANCE

- | | |
|-------------------------------|---------------------------|
| 1. Name of Insurer: | Employers Insurance Group |
| 2. Effective Dates: | 03/15/2018- 03/15/2019 |
| 3. Employers Liability Limit: | \$1,000,000 |

G. AUTO INSURANCE

- | | |
|------------------------|------------------------------|
| 1. Name of Insurer: | Lexington Insurance Company |
| 1. Effective Dates: | 12/15/2018 - 12/15/2019 |
| 2. Limits of Coverage: | |
| a. Hired Auto | Included \$1,000,000 per occ |
| a. Non Owned | Included \$1,000,000 per occ |

H. EARTHQUAKE INSURANCE

- | | |
|-----------------------------|---------------------|
| 1. Name of Primary Insurer: | Not with our Agency |
| 1. Effective Dates: | NA |
| 2. Policy Limit: | NA |
| 3. Policy Deductible: | NA |

H. FLOOD INSURANCE

- | | |
|-----------------------|--------------------------------------------------------------|
| A. Name of Insurer: | Lloyds of London |
| A. Effective Dates: | 12/15/2018 - 12/15/2019 |
| B. Policy Limit: | \$5,000,000 per occurrence and aggregate in low hazard zones |
| C. Policy Deductible: | \$100,000 |
| D. Exclusions: | Flood is Excluded in Zones A&V – You are in zone X |

INSURANCE DISCLOSURE REQUIREMENTS – REQUIRED WORDING

The California Civil Code requires that the following language be distributed to each property owner in the Association.

CALIFORNIA CIVIL CODE, Section 5300

This summary of the association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.

Part I: Notice to Owners Regarding the Need to Carry a Personal Insurance Policy in addition to the Master Policy and Info on Earthquake Loss Assessments Coverage Chinquapin HOA

We know how confusing and daunting the claims process can be for homeowners in an HOA. So we have put together this handout to help explain this process and make it less stressful for everyone. **First, some definitions:**

Master Policy – this is the insurance policy taken out by the association to fulfill its obligation per the CC&R's. It typically covers the common areas which may or may not include buildings depending on whether the association includes multi-family or single family structures.

HO6 or "Condo Unit Owners Policy" – This is the insurance policy which the individual unit owner takes out to cover their personal exposures.

Deductible: This is the amount of loss which must be exceeded before the policy pays.

There is typically little or no overlap of these policies. Both policies will have a "deductible" for property losses. Your master policy has a deductible of \$100,000. Your HO6 "unit owner policy would typically have a deductible of \$250 to \$1000.

As is standard on all *homeowners association master policies*, the association's master policy does not cover the personal property, loss of use (or rental income) and personal liability of unit owners and their tenants. In addition, depending on your association's CC&R's, you may need to also cover some building items which might include your cabinets, fixtures, wall and floor coverings either entirely or if you have done upgrades. You may even need to cover the entire structure if you own a townhome. So, whether you live in the unit **or rent it out**, each owner should carry what is commonly known as an HO6 to cover these and other exposures.

The CC&R's lay out the provisions for what the association must insure and what the unit owner must insure. There are 3 types of CC&R provisions most commonly seen.

1. Bare walls – this is where the HOA only needs to insured the structure and interior walls and the unit owner must insure all appliances, fixtures, etc.
2. Original Construction – this is the most common form seen. It dictates that the association must insure the entire real estate project up to the level of original construction. Any improvement of an individual unit owner such as replacing formica with granite would need to be insured by the unit owner.
3. All inclusive – This CC&R form dictates that the association must insured the entire real estate whether there have been unit owner improvements or not.

Our best analysis of Chinquapin HOA's CCR's indicate that you have #3 - All Inclusive

The HO6 (unit owners policy) can cover the following exposures NOT covered by the HOA:

- A. **Building** – This is for building items such as wall to wall carpets, draperies, wall coverings, cabinets and fixtures (and upgrades to these items) *which may not be covered by the master policy* due to wording in the CC&R's which limit the association's responsibility as outlined above, although it appears that your CCR's hold that the master policy covers all of these things.

This can also cover the master policy's deductible for such losses.

Chinquapin HOA has a deductible on all covered losses of \$ 100,000, so it is best that your HO6 includes Coverage A – Building of at least \$100,000.

- B. **Your Personal property** such as furniture, clothes, etc. This is NOT intended for the personal property of a tenant if you rent out your unit. They must carry a "renter's policy" known as an HO4*.
- C. **Loss of use** of your unit should a covered loss occur. This could pay for things such as hotels or rent in a temporary apartment or home after a covered property loss. If you rent your unit to others, this coverage could pay for the **loss of rental income to you** during the repairs*.
- D. **Loss Assessments (other than earthquake)** This could pay the unit owners' share of an assessment to cover certain losses to association property that result in an assessment being made by the association due to inadequate insurance. An example might be repair from a fire where the insurance proceeds were not enough to cover the loss and a general assessment was made to pick up the difference.
- E. **Personal liability** such as a guest getting hurt in your unit or hitting someone or someone's car with a golf ball. If you rent your unit to others, this could be extended to cover the liability you have to a tenant who may be hurt while occupying your unit.

Earthquake Loss Assessments Coverage

In addition to these coverages offered by the standard HO6 unit owner's policy, you can also take a separate policy for losses due to **earthquake** for all of the A, B, C & D exposures described above. And as a part of that, you can purchase **earthquake loss assessments**. Although typically sold as part of the earthquake policy you can buy for your individual unit to cover your personal exposures, you can buy EQ loss assessments coverage on its own. Depending on which carrier you have your homeowners insurance with, you may be offered an earthquake policy from that carrier, through the California Earthquake Authority or through a "stand-alone" earthquake carrier which specializes in that product. We can provide quotes for any of the above.

The **earthquake loss assessments** coverage form is important whether or not the association carries earthquake insurance. The **earthquake loss assessments** coverage form can help pay the unit owners' share of the assessment made by the association due to an earthquake loss. This is because even if there is a master earthquake policy, there is typically a large deductible of 10% or more of the "total insurable value" of the complex. That deductible would then be split up amongst all owners by way of a special earthquake loss assessment. If there were no earthquake policy in force at all, there would be an even larger assessment for each unit's share of the total earthquake damage.

Please feel free to call us with any questions regarding your personal insurance. We offer condo policies as well as auto and umbrellas from more than 30 carriers. We can quickly analyze the marketplace for you. Be sure to let us know that you own in one of our insured locations when you call.

Part II: The Claims Process

1. If you experience a claim in your unit, you should report it as soon as possible to your HOA manager and they will report it to the insurance broker for the master policy if it appears that the total loss will exceed the deductible on the master policy. You should also report it to your HO6 broker or agent. The sooner the claim is reported the better the chance of it being resolved in a more timely fashion.
2. Be sure to do what you can to avoid and prevent any further loss/damage such as calling an emergency service to turn off water.
3. The more information you have the better. Things like pictures, estimates, and witness statements are very helpful to have as soon as possible.
4. Once the claim is reported the insurance carrier, it will be assigned to an adjuster who will be the main contact for the claim. We at Gordon Associates will always be available to you as well if you have any questions or concerns. Because the HOA is the named insured on the master policy all formal communication goes through the HOA General Manager/President/Insurance chair, but you can feel free to call our staff with specific questions as to what your steps are.
5. Once the adjuster gets the claim they will begin investigating either with their own claims investigator or with a hired outside investigation firm. They will collect all necessary information and review coverage available through the policy to see if claim is eligible. This is the part that can take some time depending on the severity of the damage and how easy it is to get the necessary information.
6. Once they have received all the information and checked it against the policy they will send out a letter with their decision and if applicable payment.

Another part of the claims process that can especially confusing is the deductible. How it works and who pays it. By definition the deductible is your portion of the financial responsibility for a claim before the insurance company steps in to pay the rest.

For example if the policy has a \$5,000 deductible and the claim total is \$20,000, you would be responsible for \$5,000 and the insurance company would pay the remaining \$15,000.

Some policies will have different deductibles for different coverages. For example there may be one deductible for fire damage and another deductible for water damage.

Typically the HOA CC&R's would dictate who is responsible the deductible on the master policy. .

The CC&R's are not specific as to who pays the deductible, but most typically:

- a. if the loss is in a common area, the HOA pays the deductible;
- b. If the loss is in only one unit, the unit owner pays the deductible if the loss began in that unit; if the loss did not start in that unit, then either the HOA pays it or if another owner is at fault for the loss, then that unit owner would pay it (would typically be covered by their HO6 liability)
- c. If the loss is in multiple units, then the unit owners would share in the deductible in the same proportion as their loss; if the loss began in those units; if the loss did not start in those units, then either the HOA pays it or if another owner is at fault for the loss, then that unit owner would pay it (would typically be covered by their HO6 liability).

If a you as a unit-owner has to pay all or part of the master policy deductible, then you should be able to collect that under your HO6 condo unit-owners policy within coverage A – Building. For this reason, it is important to carry at least as much Coverage A on your HO6 as your master policy's deductible.

Questions or want a quotation for your personal coverages?

Contact the HOA Insurance Specialists

Gordon Associates Insurance Services, Inc.

Tel: 654-654-5555 or Toll Free: 877-877-7755

www.GordonInsurance.com

David Gordon, President

Pam Hutchins, General Manager



Your Partner For Success

ADDRESSING THE INSURANCE NEEDS OF INDIVIDUALS AND BUSINESSES FOR A SECURE FUTURE.

Gordon Associates Insurance Services, Inc. is a group of commercial and personal lines insurance specialists in the San Francisco Bay Area who are dedicated to finding Insurance products that meet your specific needs.

As the insurance broker for Chinquapin HOA, we would like to extend our services to the members of the association.

As a full service agency, we can quote and write your HO6 policy to help coordinate coverage between the association's master policy and unit owner coverage responsibilities.

Rent your unit? We can quote the HO6 (condominium owners policy) for you and an HO4 (renters policy) for your tenant.

Already have an agent? That's ok; we are here to assist you and them in coordinating coverage.

Questions about the HOA Master Policy? You may contact our general manager.

Angela Falcone
Phone: 650-654-5555
Fax: 650-654-5550
AFalcone@gordoninsurance.com

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20 El Camino Real
Redwood City, CA 94062
Phone: 650-654-5555
Fax: 650-654-5550