



ABI Insurance | February 2020 Newsletter

How can you get past your \$10,000 Maximum Deductible provision?

I would like to first off say that unfortunately, this article is only going to apply to Oregon communities. For everyone in Oregon, do you have a provision in your bylaw's insurance section that states that the maximum amount the association's deductible can be is \$10,000? We are starting to see associations want to increase their deductible so that smaller claims are not going against the association's policy. How can an association though increase their deductible and still be compliant? This is how:

Oregon Statute ORS 100.435(4)(a)) states that an association can the association can have a deductible that meets the Fannie Mae lending requirements or \$10,000.

(4) Notwithstanding a provision in the declaration or bylaws of a condominium, including a condominium created before September 27, 2007, that imposes a maximum deductible amount of \$10,000 or less in an association insurance policy, if the board of directors determines that it is in the best interest of the association of unit owners and of the unit owners, as provided in subsection (5) of this section, the board may adopt a resolution authorizing the association to obtain and maintain an insurance policy with a deductible amount exceeding the specified maximum, but not in excess of the greater of:

- (a) The maximum deductible acceptable to the Federal National Mortgage Association; or
- (b) \$10,000.

(5) In making the determination under subsection (4) of this section, the board of directors shall consider such factors as the availability and cost of insurance and the loss experience of the association.

When we look at Fannie Mae requirements, it states that the max deductible allowed is 5% of the policy face amount (building values). Typically speaking, if your association has say \$5 million in building values, that equates to a deductible as high as \$250,000. What this means is that an association can increase their deductible from \$10,000 to \$25,000 while still being compliant with the bylaws.

Deductible Amount

The maximum allowable deductible for insurance covering a property (including common elements in a PUD, condo, or co-op project) securing a first mortgage loan is 5% of the face amount of the policy. When a policy provides for a separate wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5% of the face amount of the policy.



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Owners, Landlords, Renters.

"It's all fun and games until there is a loss" To the owners that rent, did you know that it is still your responsibility to pay the associations deductible if your tenant caused an insurance loss? As an owner, you should still have an HO6 landlord policy while renters and tenants should have HO4 or renters' policies. Make sure that renters are purchasing enough liability coverage too. Typically, we recommend starting off at \$300,000 in liability coverage. Another great idea for a landlord is to ask their renter to add them on as an "other interest". This allows you as an owner to receive notice if the policy cancels. Renters can have claims just like an owner and it is important to protect the community and association's policy from unnecessary claims when a renter's policy could have paid for a negligent claim



An Owners Burning Question!

Q: If one of our building burns down and we are under insured by a \$1 million, will our \$5 million umbrella cover us?

A: Absolutely not. Umbrella policies extend over liability-based policies, not property. Umbrella policies typically extend over general liability, auto and Directors and Officers policies. If the per occurrence is \$1 million and the association's umbrella is \$5 million, they have \$6 million in liability coverage. This does not work that way for property and that is why it is important to insure your buildings to value as stated in January's 2020 newsletter.

Update of the Month! Emergency Kits

There is never a good time to get fully prepared but you will wish you did before that emergency. Emergency kits for the home and car are critical in urgent situations. These kits can be sold online, outdoor stores and other department stores around the city and range from \$30 to \$200 and higher. An emergency could be a bad storm or the power being disrupted for a period of time, catastrophic events such as an earthquake or floods. Being prepared is worth the investment! If you already have a kit, make sure to keep your kits up to date too!



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