



December 2022 Newsletter

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Vendor Insurance Requirements



Every association has vendors who perform services. These vendors do work throughout common areas, and inside individual owner's units. Most insurance companies require associations to collect vendor insurance information (certificate of liability insurance) and are listed on their policies as an additional insured. Being listed as an additional insured on a vendor's policy allows the association to be covered under that vendor's policy. The additional insured endorsement issued by an insurance company requires a written contract that stipulates both the insurance coverage limits and who is to be listed as an additional insured. Minimum insurance coverages that any vendor needs to have include:

- \$1 million in general liability
- \$1 million in property damage liability (completed operations is the legal term)
- Automobile insurance (if applicable): \$1 million
- Workers' Compensation (if the vendor has any employees): state minimum limit

Every association needs to ensure their vendor hiring process includes collecting the correct vendor insurance documentation. This process applies to all vendors who are hired by the association or unit owner. Hired vendors can cause damage to the association's property and the association needs to hold them accountable for damages, regardless of who hired them. Vendors can include any contractor, mitigation firm, landscaper, moving company, security firm, reserve study analyst, janitorial service, handyman, or management or maintenance company. Examples of common claims we see by vendors are from faulty installation, doing a job incorrectly, or leaving objects where they have created a hazard. When associations have claims caused by vendors, this claim damage or cost of injury can penalize the association in future renewal premiums as loss ratio's increase. Insurance companies can subrogate or take action against



liable vendors when the proper insurance documents are in place which places responsibility for damages onto the appropriate vendor. Taking proactive steps gives associations options to reduce their risk and keep premiums lower.

We recommend associations establish a streamline process for collecting insurance documents from unit owner and association vendors. The association can create a standard one-page contract that is required for smaller jobs in order to stipulate the insurance requirements. An estimate, scope of work, or invoice are not contracts that stipulate insurance requirements. An association could consider vetting vendors in advance and keeping updated insurance information on file. If your association does not have this process, look to adopt one in 2023.

An Owner's Burning Question

Question: Are there any additional discounts an owner can get on their home insurance?

Answer: HO6 carriers have begun offering discounts for water stop devices installed in units. A water stop device is a system that can be installed throughout your home. When a leak is detected, the device automatically shuts off the water. A variety of devices are available, and some detection monitors can be found at local hardware stores. However, if the system only has a detection notification and does not actually shut off the water, the risk of incurring damage is still present.



Owners need to consult with professionals to install water stop devices and use reputable manufacturers. These devices can be expensive to install (a few thousand dollars). However, the accuracy can be significantly better, and insurance carriers may give bigger discounts. We have seen carriers offer discounts from 3%-7% with the installation of water stop devices. One prevented loss can make up for the system's cost.

Q&A

We Want Your Input!

Have a question or want to see a specific topic highlighted in next month's newsletter?

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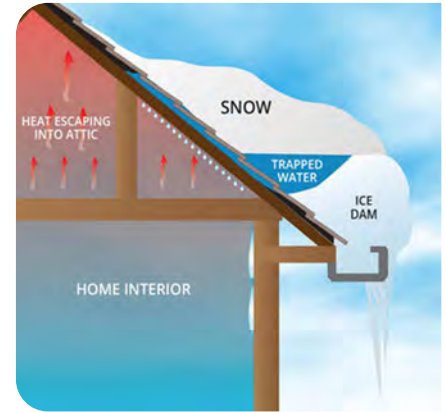
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Common Claim: Ice Damming

Some winters in the Pacific Northwest involve brutal snow and ice that last more than a day or two. When this occurs, community associations have a higher risk of ice damming claims. An ice damming claim occurs when snow and ice buildup on the gutter and roofline. The melting water has nowhere to escape. The water eventually finds its way through the roof creating damage in units and common areas. Proper ventilation and insulation can help prevent ice damming. Salt in any form on a roof is not recommended. It can corrode the roof's surface and the runoff can be harmful to plants and foundations.

When ice damming occurs, damage to interior units can cause an insurance claim. Not all insurance policies cover ice damming claims. If coverage is available, often a per unit deductible will apply. For example, if your association has a \$10,000 deductible in an ice damming claim, each unit that sustains damage needs to meet the minimum of \$10,000 in damage before that one unit would have coverage under the association's policy. Be prepared with a snow removal plan before an incident occurs. Contact a snow removal company before inclement weather sets in.



Update of the Month: Bathroom Fans and Vents



Bathroom fans and vents help remove water vapors, humidity, and odors, and send them to the exterior of a home. Typically, bathroom fans are used during showers to eliminate excess moisture and prevent mold. Vent fans need to stay on 15-20 minutes after shower use.

Bathroom exhaust fans need to be cleaned one to two times a year by a professional instead of a homeowner. Materials and dust particles build up in the exhaust fan and can create a fire hazard. In the Portland area, fires have started from bathroom vents. Remind your community to stay on top of bathroom fan maintenance. This action may help prevent a fire and save lives.