



July 2023 Newsletter

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Understanding the Impact of a Reservation of Rights Letter



Association Boards need to be proactive and set up a claims process for owners when sudden and accidental events occur. If damage is only contained to units, the association still needs to be involved, especially if the association holds insurance coverage on the homes in the community. It's important for the Board to establish one person who serves on the Board or committee with the Board's direction as the point of contact in all association claim matters. Communication to owners regarding the claims process and the claim point of contact is critical. This helps ensure everyone is on the same page and improves communication with the carrier.

When an association has a claim and reports it late or if there is a concern of coverage in the policy, the insurance carrier can issue a "reservation of rights" letter to protect themselves in the claim. A reservation of rights letter is a document issued by an insurance company to the insured, for example, to an association. The letter states a claim may have limited or no coverage which is within a carrier's right.

One of the main reasons a carrier issues a reservation of rights letter is because a claim wasn't reported to the carrier in a timely manner and an investigation has been delayed. Claims reported three to four weeks or greater after an occurrence with significant damage could trigger an insurance company to issue this letter to protect their interest. Delayed claims reporting hinders the claim investigation, which is the carrier's right to do when a loss occurs. One of the insurance policy conditions is to preserve the property in a loss so that more damage doesn't occur and to notify the carrier as soon as possible.

A reservation of rights letter is also sent when a claim is filed for something that may not be covered. Mold and mildew growth are good examples. When microbial growth is found, limited coverage or no coverage often exists in the insurance policy. Owners need to understand when they delay reporting a claim or don't start mitigation right after the loss, it creates a negative impact on a claim. If the insurance carrier does not cover damages within a claim, the financial responsibility for the repair falls on the owners and/or an association.



When garages, storage units, and homes are overfilled, the clutter can create hazards in the community. Heavy items and additional weight can cause structural issues in a building that can lead to collapse concerns. Cluttered rooms and spaces can also create fire hazards for the building and act as fuel in the event of a fire. This creates a life safety issue. Excessive clutter, especially in small spaces, reduces airflow and can increase the chance of mold and mildew growth which are generally not covered by insurance policies.

For communities that need help with decluttering, [Western Oregon CAI](#) has an **outreach committee** that can help communities implement successful clean-up projects and promote togetherness in the community.

An Owner's Burning Question



Question: I've been an owner in my association for several years, but I don't know where to find the association documents and rules?

Answer: It's common for owners in an association not to know where to find the community's governing documents including rules, regulations, and operating guidelines. When someone moves into a community, it is important the new owner reads these documents and reviews them periodically. If an owner becomes a Board member, this new Board member needs to review these documents before they serve on the Board.

Often association documents can be found on community websites or owner portals. If this is not an option for your association, the documents are public record and can be ordered from a local title company, usually for free. To request the recorded documents, provide the community association name and address. Not all rules implemented by an association are recorded at the title company and may not be provided. Reach out to your association for specific instructions on how to obtain them.

Q&A

Loss Control: Insurance Claims can Trigger Other Large-Scale Projects

Insurance companies use the term "loss control" for an inspection on a specific property when they provide that property's insurance. The inspection generates a report that provides recommendations and requirements to reduce the risk of future claims; claims that the insurance company may need to pay on behalf of an association in a covered loss. As insurance companies continue to handle record breaking claims activity, they look to loss control inspections to mandate actionable items and prevent future losses for community associations. Common loss control requirements include sidewalk repairs and repaving, building component upgrades, and changes for barbecues on small decks and balconies. The consequences of not complying with an insurance company's loss control is that the carrier can issue a non-renewal or notice of cancellation. Communities forced to find other coverage realize the search is often difficult and costly.

Sometimes loss control requirements are unexpected and can create financial hardship in a community. When insurance claims occur, the cause of loss could be systemic throughout the community. When this happens, insurance companies require associations to take immediate action. In one association's case, during Portland's 2022 holiday freezing event, several buildings were damaged due to frozen sprinkler pipes. After the claim was adjusted, it was determined that lack of insulation was a major culprit for the freezing lines. For the insurance company to be comfortable with continuing coverage for the buildings, they issued a loss control requirement. This included an inspection of all buildings to ensure they were properly insulated. The inspection required a sign-off by a licensed and insured contractor. The association had pressure to finish the project by the insurance renewal date. For some associations, this may not leave enough time and some of these projects can be costly with unanticipated expenses.

Building inspections can help prevent unexpected future liabilities for a community. We highly recommend communities include inspections in their reserve studies. Some financial institutions may offer funding options for upgrades and unexpected projects.

Join the party!

Friday,
September
8

Save the date
Pearl Party

Friday, September 8th, 2023
NW 13th Ave at Hoyt Street 5-8:30pm
Neighborhood Association Annual Fundraiser

Food Music
Community
Celebration
Beer Wine



Join us for the neighborhood
event of the year!
pearldistrict.org

We Want Your Input!

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

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association-news@abipdx.com

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