



December 2023 Newsletter

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Why is a Reserve Study Important?



A reserve study serves as an extremely helpful tool for community associations. The reserve study provides direction and an in-depth analysis of community assets and serves as a financial guide for the community. Without this tool, the Board and community would essentially progress blindly through the years without a plan. As a concrete guide it helps communities plan and save for capital projects that could occur over a 30-year period. Associations should update their reserve study every one to three years.

It's important to have the community reserve study completed by a professional who specializes in the community association industry. Companies that support organizations like [Community Associations Institute \(www.caioregon.org\)](http://www.caioregon.org) are some of the most recommended. Sometimes smaller or financially restricted associations have tried to utilize someone in the community to handle this task.

In conversations with community members I hear, "We can walk the grounds ourselves and make notes of what needs to be done. Then we will create an Excel spreadsheet of capital projects." This is not a best practice for community associations. The maintenance and financial component, if evaluated and analyzed incorrectly, could severely cost the association in the long-run. Hire an expert for your reserve study.

As underwriting guidelines and expectations change in the insurance industry, more insurance carriers require a reserve study to be submitted

for review. It provides knowledge for an association on sustainability and offers insight on the community's insurability. For example, if the roof is 25 years old and the reserve study says replacement will be in nine years, the insurance carrier must see proof of annual maintenance and inspection because the roof is over 20 years old.

Boards can also use the reserve study strategically. Inspections such as building envelopes or structural inspections may be included in the study, so the community has the money allocated to pay for them. The plumbing replacements for the building, including those that are the responsibility of unit owners, may need to be incorporated in the association's reserve study. As buildings age, components need to be replaced. Insurance companies want to avoid paying for water damage events when they could be prevented. It is becoming harder for communities with aging buildings and outdated plumbing to find insurance. Full plumbing projects are costly and not always fiscally feasible. As an option, communities could consider interim unit inspections to look for active leaks. With potential problems identified, they can be added to the reserve study and planned updates can be made. If owners were aware of active leaks found during an inspection, communities could prevent a large and costly claim.

Inspections made now may save claim damage and ultimately insurance premiums in the long-run. A reserve study and the data it provides is crucial for long-term sustainability of any community.

**State of the Insurance Market
Zoom Webinar
January 10, 2024 | 5:00 pm
Presenters: Sara and Vern**



Stay informed on the current insurance market and find out what to expect as we go into the 2024 renewal process.

RSVP to association-news@abipdx.com.



Claim Corner: Freezing Point Creates Breaking Point for Association

True story. Last winter, an HVAC system in an association’s clubhouse broke down. A repair person was called, the problem was identified, and replacement parts were ordered. However, while waiting for parts, the clubhouse did not have heat. During the wait, outside temperatures plummeted in the Portland area. Freezing temperatures occurred outside the clubhouse and inside as well. Unexpectedly interior pipes froze, ruptured, and caused water damage throughout the building. This incident, while unfortunate, offers a unique learning opportunity for other associations.

In this example the insurance policy stated an exclusion which would result from damage caused by freezing temperatures, unless one of three conditions were met. First, heat needed to be maintained in the building. Second, the lines were to be drained if heat could not be maintained. Finally, in the event of freezing temperatures inside the clubhouse, portable heaters would need to be brought into the clubhouse to maintain a temperature of at least 55 degrees Fahrenheit.

The exclusion example pictured to the right is commonly found in commercial policies and even in some homeowner insurance policies. Associations need to maintain a temperature of at least 55 degrees Fahrenheit or higher in units and common buildings. This minimum temperature should be maintained even if the building is unoccupied. Board members need to understand the exclusions and conditions within the association’s insurance policy. When unusual or unexpected situations happen, reach out to your insurance agent who can be a helpful resource.

(5) Water, other liquids, powder, or molten material that leaks or flows from plumbing, heating, air conditioning, or other equipment, except fire protective systems, caused by or resulting from freezing, unless:

- (a) Heat is maintained in the building, structure, and "unit"; or
- (b) All the equipment is drained and the supply is shut off if the heat is not maintained; or
- (c) If the plumbing and related equipment cannot be completely drained and shut off, heat must be maintained in the building, structure, and unit.

We Want Your Input!

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

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An Owner’s Burning Question



Question: My windows are foggy. Who is responsible?

Answer: Foggy windows don’t always mean something is wrong. If temperatures and moisture are different between the outside and inside, windows can fog. However, if windows are continuously fogging up, something could be wrong with the window, for example, a broken seal. When it comes to window responsibility in community associations look to the governing documents to help define responsibility. The responsibility could fall with the association or an owner. Get the window checked out before damage occurs which the insurance policy may not cover. If your community hasn’t considered a maintenance matrix, read the article [Claim Prevention: Maintenance Matrix](#) in ABI’s May 2022 newsletter.

Q&A

Update of the Month: Sliding Glass Door Tracks

Accumulated water or ice outside or within a sliding glass door track can be a culprit of interior damage to a unit. Sliding glass doors can be an entry point for water and cause damage to interior floors, cabinets, wall material, and more. The door’s track needs to be cleaned, sealed properly, and provide good drainage for water and ice to melt and exit the track.

Like this issue of *An Owner’s Burning Question*, it is important to know who is responsible for the sliding glass door and report it to the association. Sometimes policies can include exclusions for water seepage from the exterior. It is good to understand insurance may not be there to cover losses related to building maintenance. This winter, check your sliding glass door tracks frequently and make sure the area is clean and maintained.

