



McLEAN GARDENS CONDOMINIUM ASSOCIATION

To: All Owners

From: Board of Directors

RE: **Insurance Changes**

Open Forum – To discuss insurance related issues with USI, McLean Gardens’ insurance broker

Over the past five years the insurance industry has faced a large number of weather-related property claims and has paid out far more on those claims than it has received in premiums and investment income. Due to these and other factors, underwriting guidelines are becoming more stringent, the number of insurance companies offering property insurance for multi-family residential buildings, including condominium associations, has diminished, and premium levels are skyrocketing. For example, we have recently learned that McLean Gardens would have to pay a 36% higher premium to renew our property insurance for the coming year if we did nothing to reduce the cost. The Board of Directors has decided, therefore, that it would be prudent to renew the master insurance policy with a higher deductible, in order to avoid such a substantial premium increase.

Effective March 23, 2013, the deductible under the Condominium’s master property insurance policy will **increase from \$10,000 to \$25,000 per occurrence**. This means that the master policy will only pay the cost in excess of \$25,000 to repair property damaged as a result of any one occurrence, and that the Association will not file a claim unless it believes that the cost of repair will exceed \$25,000.

If there is a claim under the Association’s Master Policy, the deductible is a common expense and is paid by the Association. But if the damage was caused through a resident’s act, neglect, or carelessness, the Association has the right to recover the amount of the deductible from the unit owner. However, if the Association does not file a claim (because the cost of repair would be less than the deductible), or if the claim it files is denied, the unit owner will be responsible for the cost of repairs.

To avoid the possibility of having to pay thousands of dollars for unit repair costs that are not covered by the master insurance policy, each owner should have an individual homeowners (“HO-6”) insurance policy and should make sure that the policy or endorsement to the policy provides “building” or “dwelling” coverage. This coverage will pay for damage to your unit that is not covered by the Association’s master policy. Without

“building” or “dwelling” coverage, you may have to pay up to **\$25,000** to repair damage to your unit. All owners should review this with their own insurance agents to determine the impact of this change on them and should make certain that they have adequate coverage.

We have scheduled a meeting on March 21, 2013 at the Community Center at 7:30 PM on insurance matters. There will be a presentation by Steve Dickerson and Theresa Melson, of USI, who will explain the provisions of our master insurance policy, what additional insurance owners should have, and answer your questions.