

## **Insurance Guidance for the Weathersfield Service Group VI (WSG)**

Several residents have asked questions about how to best position their own private property insurance (HO6 condominium policy) given the HOA insurance on the houses and buildings that WSG puts in place.

### **What the WSG Covenants say about insurance coverage by homeowners and the HOA.**

The insurance section of the WSG covenants was amended in 2011. That amendment states in part that the WSG HOA shall *“procure and maintain at all times a policy or policies insuring against loss or damage by fire and other Hazards for each Living Unit upon a Lot in an amount equal to one hundred percent (100%) of the Insurable replacement cost of such Living Unit as of the date of the loss or damage...”*. Section 8 goes on to say that *“Each Owner is strongly encouraged to obtain insurance coverage at such Owner’s own expense upon the Owner’s Living Unit, personal property and for the Owners’ personal liability and living expenses, and such other coverage as the Owner may desire. .... An Owner may procure insurance to cover any cost or repair or replacement of any Living Unit, which cost is in excess of the proceeds of an insurance available under the Association master policy, including without limitation, the cost of any deductible under the Association master policy.”* Finally, section 9 provides that *“the cost of repair or replacement of any Living Unit in excess of the proceeds of any insurance, including without limitation the cost of any deductible under the Association master policy, is the sole responsibility of the Owner of such damaged lot.”*

We interpret this amendment to mean that the WSG HOA insurance policy is intended to replace 100% of the replacement cost of a dwelling, but that this replacement cost may not allow the owners to duplicate all the improvements they may have had or may want at the prevailing market rates. If there is a gap between what the HOA insurance will pay and what the owner wants to include in the rebuilding plan, the owner is responsible for the difference. While the Covenants do require insurance to cover the current rebuilding costs, they do not call out appliances specifically within the costs to be replaced by the HOA insurance. It is best to discuss your particular situation with your own insurance agent providing your condo HO6 insurance policy.

### **What the WSG HOA property insurance policy covers.**

This year’s Harford Property and General Liability policy indeed states that it covers 100% of the replacement cost including improvements. Appliances would only be covered if the Covenants explicitly require that, which ours do not. In order to calculate a premium, the insurance company must calculate an aggregate replacement cost for the houses and garages in the community. For our 104 dwellings and 104 garages, this year’s policy calculates a replacement value of \$33,134,000. Divided by 104, that implies a coverage of \$318,596 for each house plus garage. Because the garages are valued at approximately \$20,000 each, that means the house coverage would be on the order of \$298,596.

**Please be aware that this is the replacement construction cost, which is not the same as market value.**

The actual money provided by the insurer in the case of a substantial loss would be determined by the adjuster hired by the insurer.

We have been informed by our insurance agent that each year, the aggregate replacement cost is calculated anew based on their own financial models. They do not depend on any independent assessment we may provide.

**Recommendations for homeowners in selecting or updating their HO6 condo insurance policies**

1. If you believe that there are improvements in your home that might not fit within the frame described above, the WSG HOA recommends that you speak to your own insurance agent to configure your HO6 condo insurance to add additional property value coverage to address that gap. The HOA also recommends that you document the type of improvements you have and store them in a safe place in case of loss. A good option is to take pictures of the improvement and store them along with any supporting documentation in the cloud (offsite internet-accessible files).
2. Please remember that we currently have a \$10,000 deductible on our HOA policy which the homeowner would have to cover. Even if multiple houses are impacted by one event (e.g., tree fall), you should anticipate that your house will be considered its own occurrence and that the full deductible will probably be applied. Speak to your agent to see how your HO6 policy might cover this deductible, for example in the loss assessment section.

Respectfully,

David Spencer and Hope Weber

WSG Insurance Committee

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