

## **Insurance Deductible Resolution**

Whenever an insurance claim is filed, the issue of the deductible always raises its ugly head. The issue get more complicated when the claim involves a unit owner who is responsible for all or part of the claim. Since it's only a matter of time before the next claim will occur, be prepared by adopting a resolution that will give guidance on how the deductible question will be handled.

Here is a sample resolution which can be adapted for your homeowner association's use. Be sure to run any proposed resolution by your attorney and insurance agent to make sure it conforms to both the governing documents and applicable state statutes.

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### [Name of Homeowner Association] Insurance Deductible Resolution

A. The governing documents of [Name of Homeowner Association], a nonprofit corporation formed under the laws of the State of \_\_\_\_\_, states that the Homeowner Association shall obtain and maintain in force policies of insurance:

B. Article [fill in article number] of the Bylaws, prescribes the type of insurance and specifies the responsibilities of the Homeowner Association and the owners to place and maintain in force at all time appropriate insurance to protect the owners, the Homeowner Association and its members.

C. It is the intent of the Board of Directors to:

Ensure that the Homeowner Association has adequate coverage for property and liability insurance;

Ensure the continuing insurability of the Homeowner Association at a reasonable price;

Prescribe a procedure for reporting and processing insurance claims.

D. The governing documents of the Homeowner Association are silent regarding responsibility for the payment of the Homeowner Association insurance policy deductible.

NOW THEREFORE, BE IT RESOLVED THAT the conditions, requirements and procedure set forth below be adopted.

#### **I. INSURANCE DEDUCTIBLE; OWNER & TENANT INSURANCE**

##### **1.1. Determination of Deductible; Notice.**

(a) Determination of Deductible by Board. The Board of Directors shall determine the amount of the deductible for property loss insurance policies and any other insurance policies required to be obtained by the Homeowner Association. In determining the deductible under the policies, the Board shall take into consideration the availability, cost and loss experience of the Homeowner Association.

(b) Notice. The Board of Directors shall give written notice to the owners of the amount

of the deductible under the Homeowner Association policies and any change in the deductible proposed in renewal or replacement insurance policies not more than ten (10) days after the effective date of the change. The notice shall be delivered to each unit owner at the current mailing address as follows:

Notice of Change in Homeowner Association Insurance Coverage. There are changes in insurance policies carried by the Homeowner Association. You should immediately notify your insurance agent of the changes described in the enclosed information and ask your agent to determine if changes to your insurance policies are necessary.

1.2. Responsibility for Insurance. The Responsibility for insurance shall be as provided in this section.

(a) Owner Property Insurance. Owners shall be responsible for obtaining and maintaining insurance policies insuring their units for any losses less than the deductible amount under the Homeowner Association's policies and for insuring their own personal property for any loss or damage.

(b) Tenants. Tenants shall be responsible for insuring their own personal property for any loss or damage.

(c) Owner and Tenant Liability Insurance. Owners and tenants of all units shall obtain and maintain comprehensive liability policies having combined limits of not less than Three Hundred Thousand Dollars (\$300,000) for each occurrence. The insurance shall provide coverage for the negligent acts of owners, tenants, guests or other occupants of the units for damage to the general and limited common elements and other units and the personal property belonging to others.

(d) Homeowner Association. The Homeowner Association shall have no responsibility to obtain or assist in obtaining property loss insurance for any owner or tenant for:

(1) Damage to a unit not covered by the Homeowner Association's policy (because of the deductible amount or because the claim for loss or damage is one not normally covered by fire and property loss insurance policies with extended coverage endorsements); or

(2) For any damage or loss to the owner's or tenant's personal property.

1.3. Deductible.

(a) Damage Not Resulting from Negligence.

(1) Damage Affecting More Than One Unit. If a loss affects more than one unit, when there is no negligence by any party, the parties which have sustained damage (the Homeowner Association, unit owners or both), shall pay their proportionate share of the Homeowner Association deductible based on damage to those portions of the building the non-casualty maintenance of which is the responsibility of the party under the governing documents of the association, into the total of all building damage incurred in

the loss.

(2) Damage Affecting One Unit. If the damage is confined to a single unit, the unit owner shall be responsible for the entire deductible of the Homeowner Association policy.

(b) Damage Resulting From Negligence. If a loss affects more than one unit, the common elements or a combination thereof, the deductible shall be allocated to the negligent party.

(c) Owner Policy Deductible. Owners of damaged units shall be responsible for payment of their individual condominium unit owner policy deductible.

I. Duplicate Insurance Coverage. In the event of duplicate insurance coverage, the insurance policy obtained by the unit owners shall be considered the primary coverage.

## II. Procedure for Claims Handling

3.1 All claims against the Homeowner Association's insurance shall be processed through the Board of Directors, or, if authorized, the Homeowner Association's managing agent.

3.2 Charges of managing agent for handling claims, if any, shall be included within the insurance claim, if a claim is filed.

3.3 The Homeowner Association shall seek reimbursement for all expenses of processing the claim from an owner when the claim exists and the insurance does not cover all the costs.

Date: \_\_\_\_\_, 200\_\_

(Signed) \_\_\_\_\_  
President-Board of Directors