

## Allocating Insurance Deductibles

The Lion's Gate HOA master insurance policy is written as a "walls in" replacement cost basis. Everything permanently attached to the interior of each townhome is covered to the original builder's grade (interior walls, ceilings, flooring, cabinets, lighting, fixtures, etc.). This **does not include** any betterments or improvements to your townhome.

This master policy also has a \$10,000 "all other peril" per occurrence deductible, which includes a \$10,000 water damage deductible. In addition, there is a separate wind and hail policy that protects the buildings on a replacement cost basis and includes a 1% (per building value, not per townhome) per occurrence deductible. The board has recommended the following for the allocation of these deductibles:

- In the absence of an HO-6 policy, the owner of the damaged property will pay the deductible unless another owner has negligently caused the damage.
- If the damaged property is to the Common Areas (outside of a unit) the HOA will pay the deductible.
- If the damage is caused by an "act of god" (lightning, hurricane, tornado, etc.) the HOA will pay the deductible.

### **Examples:**

1. A toilet line breaks causing \$7,500 in water damage to your townhome. The deductible of \$10,000 will not be met, therefore the unit owner is entirely responsible for the repairs.
2. A grease fire causes \$25,000 in damage to a kitchen. The unit owner will pay the \$10,000 deductible and the master insurance policy will pay the remaining \$15,000 to the HOA.
3. A water heater fails causing \$40,000 in water damage to your townhome. The \$10,000 deductible as well as the replacement of the water heater are the responsibility of the unit owner. The master insurance policy will pay the remaining \$30,000 to the HOA.
4. A tornado causes damage to several roofs. The building's value is \$1,000,000. The loss is \$200,000. The HOA will pay the \$10,000 deductible and the master insurance wind policy will pay the remaining \$190,000 to repair all units back to the original specifications.
5. Lightning strikes a building causing damage to several townhomes. The loss is \$450,000. The HOA will pay the \$10,000 deductible and the master insurance will pay the remaining \$440,000 to repair all units back to the original specifications.

To subsidize the HOA's deductible responsibility, EVERY owner is required to have an HO-6 condo policy with a minimum of \$20,000 in-building coverage. Please contact Phil Higgins of Towne Insurance at 910-679-8252 with any questions or additional information regarding an HO-6 policy.