

Property Insurance Coverage for Wind and Hail Damage

Submitted by David Podvin, APCP Board President, and David Larson, APCP Board Treasurer

At the Board Meeting on 10/05/22, the Board of Directors approved the renewal of APCP's master property insurance policy through the Horizon Agency for the period 11/01/22 through 10/31/23. The deductible for wind and hail damage (per claim) increased from a flat \$5,000 to 1% of the building value. Since the building is valued at approximately 35 million dollars, the new deductible for wind and hail damage is now almost \$350,000. Without some sort of plan, this is an unacceptable amount of risk/exposure.

The Board of Directors discussed this issue at length at the Board Meeting on 11/02/22. We strongly encourage Members to refer to Information Item 9.3.1. from that meeting which highlights two options to manage the higher wind and hail deductible and summarizes the pros/cons of each. Under the first option, we would purchase an additional wind and hail deductible buyback policy. Such a policy would reduce our deductible but at a significant ongoing annual cost (\$100,000 deductible/\$14,660, \$50,000 deductible/\$17,558, or \$25,000 deductible/\$19,006). The second option would be to assess each APCP unit a prorated amount of any claim not covered because of the very high wind and hail deductible. A Member would then make a claim under their HO6 policy as a loss assessment.

After a great deal of further consideration and input from the Finance Committee, the Board of Directors approved Action Item 9.4.1. at the Board Meeting on 12/07/22:

"The existing property insurance for APCP provided through the Horizon Agency requires a deductible of 1% of the building value for claims due to wind and/or hail damage. APCP has the option to purchase at considerable cost an additional wind/hail deductible buyback policy that would reduce this deductible. APCP is deciding not to purchase such a policy. In the event of wind and/or hail damage, APCP will assess each unit in the cooperative a

prorated amount of the total damage claim (up to the current 1% deductible amount). A Member would then make a claim under their HO6 insurance policy as a loss assessment."

Here are the major takeaways for APCP Members:

- 1) In accordance with the terms outlined in their Occupancy Agreement (Article 9, Number 2), every Member must obtain an HO6 policy at their own expense.
- 2) In accordance with APCP Rules (XII), every Member is required to submit a copy of their current HO6 policy to the Property Manager on an annual basis. Please do this ASAP if Christina does not have your current HO6 policy.
- 3) Christina forwarded a memo from the Horizon Agency to Members in December regarding items that should be covered in your individual HO6 policy. Please review this memo and bring it to the attention of your insurance agent.
- 4) We recommend that you have sufficient coverage under loss assessment on your HO6 policy that would cover the worst-case scenario in the event of a significant wind and/or hail damage claim. For example, with the current wind and hail deductible and building value, the worst-case scenario would mean that every unit would be assessed approximately \$3,333 (\$350,000 divided by 105 units). In addition, it is usually the case that loss assessment coverage in an HO6 policy also has a deductible (ours is \$500).
- 5) We recommend that Members discuss their HO6 policy and options for loss assessment coverage with their insurance agent. Your agent can contact Carly Aretz (952-944-2929 or carly@horizonagency.com) at the Horizon Agency with any further questions.

According to the Horizon Agency, our property insurance costs are clearly feeling upward pressure due to an increasing number of claims and high inflation. Unfortunately, this may be the new normal. Please contact Christina with questions about any of this. Thank you for your understanding on this issue.