

Star Canyon Condominiums Homeowners Association, Inc.

*c/o KC & Associates, LLC
10106 W. San Juan Way, Suite 210
Littleton, CO 80127-0009
303-933-6279*

January 18, 2019

To the Unit Owners of Star Canyon Condominiums Homeowners Association:

THE BOARD STRONGLY URGES OWNERS TO READ AND TAKE ACTION TO THE FOLLOWING LETTER.

In the spring of 2017, all of roofs were replace due to previous hail damage. Travel's Insurance payout was \$548,967.79. Star Canyon Condos payout \$5,000.00, our deductible. That low deductible is no longer available.

November 1, 2017- October 31, 2018 Policy premium \$45,605.00

Property Coverage-Building Limits \$22,729,260.00

Deductible-Wind/hail Deductible 2%.

$22,729,260.00 \times 2\% = \$454,585.20$ deductible for wind / hail.

November 1, 2018- October 31, 2019 Policy premium \$45,308.00

Property Coverage-Building Limits \$22,729,260.00

Deductible-Wind/hail Deductible 5%.

$22,729,260.00 \times 5\% = \mathbf{\$1,136,463.00}$ deductible for wind / hail.

An optional 2% deductible (\$454,585.20) would cost an additional \$58,208.39. The board voted "NO" for this option.

Looking forward, what does this high deductible mean.....

Star Canyon Condos Association is liable for wind / hail damage up to the deductible (**\$1,136,463.00**).

This liability would bankrupt our reserve money if another severe wind/ hailstorm would occur.

The board would have to pass on the cost of repair / replacement to the 72 owners with a special assessment.

$\$1,136,463.00$ divided by 72 units = \$15,784.21 potential assessment per unit.

The following important information is concerning changes to the association's insurance policy and how it could impact you financially.

The damage from hail storms has exponentially grown over the last few years. July 11, 1990 was considered one of the largest hail storms in history measuring 10 miles wide and resulted in \$600 million, at the time, making it the costliest hailstorm in state history. In today's dollars it would be well over \$1.19 billion.

Colorado's damaging hail season is considered to be from mid-April to mid-September. Colorado's Front Range is located in the heart of "Hail Alley," which receives the highest frequency of large hail in North America and most of the world, so residents usually can count on three or four catastrophic (defined as at least \$25 million in insured damage) hailstorms every year. In the last 10 years, hailstorms have caused more than **\$3.7 billion** in insured damage in Colorado.

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Due to the costly impact of wind and hail claims, many insurance carriers are either no longer providing insurance for HOA's or adding larger percentage deductibles for wind and hail claims in order to stay in the business of insuring multi-family properties. An increase in the wind and hail deductible could be anywhere from 2% to 5% of the value of the damaged building.

With the increased wind and hail deductible the board has determined that if a wind or hail storm causes damage to the buildings, the deductible will be passed onto the homeowners to contribute to the cost of repair through an "assessment".

The best way to offset the expense that you could be financially responsible for is through an endorsement to your unit owners, HO-6 policy, called "loss assessment". "Loss assessment" pays for an assessment that you may have to pay as a result of property damage to the building or a law suit which exceeds the association's general liability limit.

Due to the fact "wind hail deductible buy down" policies have become very expensive with the increased percentage deductibles, the recommendation of the board, is that the cost of the wind and hail deductible will be shared by each homeowner. A wind and hail deductible could be as high as \$1M to \$2M. Because additional loss assessment coverage in the unit owner's policy is so inexpensive, it is recommended that you purchase no less than \$25,000-\$50,000. However, make sure the loss assessment endorsement does not limit coverage for deductibles. Some are as low as \$1,000. If the insurance company you are using does not offer that high of a deductible assessment coverage limit, you should change insurance companies.

We recommend you speak to your insurance agent to understand what the amount of loss assessment is available to add to your HO6 policy. Make sure to ask about exclusions and limitations for wind and hail deductibles on the loss assessment coverage as it varies from one insurance carrier to another. Do not rely on the HOA building insurance to protect you from all types of losses. Every owner should have their own personal insurance policy to cover their personal property, personal liability and upgrades to your unit according to the association declarations, this will help avoid unexpected expenses. We recommend you take time to talk to your insurance agent and review your insurance policy along with the associations "Declaration" document to confirm you have the right coverage. Building items that are typically not covered by the association's master policy are for example: carpet, hardwood floors, tile floors, kitchen cabinets, plumbing and electrical fixtures, built in appliances, wall coverings, unit owner improvements, etc. These items could easily add up to \$100,000.

Should you have any questions please contact Angie Johnson she will be happy to assist you.

Sincerely,

Board of Director's

Star Canyon