

Heritage Grand Americanas Property Insurance

The original version used at the 5/16/22 Town Hall meeting has been updated with additional information – either as bold red italics text in the document text or in the Supplemental Information added section. Critical information is highlighted in YELLOW.

SUMMARY

1. Buy “Condo Owners” insurance
2. Consider buying Flood Insurance
3. Obtain adequate "LOSS ASSESSMENT" coverage *and* “DWELLING COVERAGE” coverage in your Condo insurance

Without implementing the above three suggestions, you are, by default, choosing to self-insure your property at a significant cost to you. Make sure you can afford to do that.

- The Heritage Grand Insurance Program is structured to meet the specific needs of the Americanas duplex housing area and the community as a whole. The pricing and deductibles are among the lowest today’s insurance market can provide. Purchasing insurance at group rates provides a significant advantage compared to what an individual would pay.
- The Master HG insurance policies provide coverage for the clubhouse, all common areas and liability coverage as needed as well as property coverage for the Americanas duplexes.
- Stand-alone homes outside of the Americanas have no coverage and must supply their own.
- Our Master HG insurance covers everything permanently installed in the duplexes at replacement cost. The insurance industry calls this a “walls in” coverage. This “walls in” coverage includes things like floors, walls, decorative trim, ceiling coverings, paint, fixtures, built in appliances, window coverings, air conditioning, ventilation, refrigeration, built in laundering, cooking and dishwashing equipment, and interior partition walls and doors. This insurance also covers all unit owner improvements and betterments. **One way to think of this is that it includes everything left in your duplex if you sold it and moved out taking your appliances with you that are not built in..**
- This Master HG insurance has high deductibles in order to keep the cost reasonable. **Each duplex building (two individual homes) is considered one insured building. For any claim in a two unit building, the deductible is \$25,000 for wind & hail damage. This also hold true for water damage. For any other damage such as fire, vandalism, theft, etc. the deductible is \$10,000 for the two unit building. When both of the duplexes have damage from one occurrence, the deductible will be split between the two duplexes based on the actual cost to repair the damage. This deductible is the responsibility of the homeowners and their own insurance company.**
- Stand-alone housing residents maintain personally obtained "Homeowners Insurance" policies but Americanas duplex residents need to instead procure the much less expensive "Texas Condo Owners" (sometimes called HO-CON or HO-6) insurance through their personal insurance agent. **This policy provides liability for your duplex as well as personal property that is not covered under the master policy. This policy should also cover some or all of the deductible that would be incurred under the HG Master insurance policy (*loss assessment provision*). *This policy should also cover the case where the HG Master insurance policy is not invoked because the claim is smaller than the Association’s deductible (dwelling coverage provision).***

- **All homeowners should purchase a personal Flood Insurance policy.** This insurance is subsidized by the government and would cost much more if HG purchased one policy for everyone.
- Because you are covered by the HG Master insurance **you should not purchase the more expensive “homeowners insurance” that others buy and you do not want “renters insurance.”** **When you purchase your “condo insurance” make sure you understand the “Loss Assessment” coverage.** Different companies pay different amounts. This is the payment that an insurance company would pay toward your responsibility to meet your deductible under the HG Master insurance policy. **Make sure you know how much you would be personally responsible for in the event that you had to pay a significant deductible required by the HG Master policy.**
- The HG Master policy does not provide general liability protection for Americanas owners. **When you purchase your “condo insurance”, make sure you understand whether it provides general liability coverage for events happening in your unit and outside on your lot.**
- Heritage Grand Homeowners Association buys this insurance for your protection. **Any costs beyond the cost of insurance premiums are your responsibility.**

CONCLUSION

1. **Unless you intend to self-insure, you must have your own “Condo Insurance”** to protect your personal belongings, your liability inside your unit and outside on your lot, *your claim costs when the claim is too small to have the HG Master policy invoked* and to help pay your deductible under the HG Master insurance. Get several quotes and find an insurance agent you trust. **The HG master policy deductibles have recently increased significantly** so now is a good time to review your existing policies with your personal insurance agent.
2. **Flood insurance is important and recommended.** Thousands of Houston homes have been flooded when homeowners thought there was no possibility of a flood.
3. **Your personal “Condo Insurance” must cover all or part of your \$25,000/\$10,000 deductible** through its “Loss Assessment” coverage. Make sure your insurance agent can explain how you are covered.
4. If your mortgage agent or personal insurance agent needs a Heritage Grand master “Certificate of Insurance,” one can be obtained by going to **www.ajg.com/fsr**.
5. **Immediately report any claim** to Heritage Grand Management.

Supplemental Information Section

In the minutes of the 5/16/22 Town Hall meeting, which were distributed to Americana owners in an August 9th email, the board (and Financial Operations Committee insurance function) committed to providing supplementation information in two areas:

- 1) practical guidance on when the HOA insurance will be invoked relative to a damage claim versus when the owner’s insurance will be invoked
- 2) practical information on two key elements needed in the owner’s insurance policy: provision for *Loss Assessment* coverage and provision for *Dwelling Coverage* coverage. The two headings that follow provide that additional information.

HOA insurance versus Owner insurance guidance

The key factors in whose policy (HOA versus owner) is involved basis the amount of the claim is as follows [if the scope of coverage is normally with the HOA]:

- a) if the claim amount is greater than (or equal to) the applicable deductible, then the HOA insurance will be invoked and the HOA will cost recover the deductible amount from the owner(s) involved: ***in this case the owner(s) “loss assessment” provision will be the applicable coverage***
- b) if the claim amount is less than the applicable deductible, then the HOA insurance will not be invoked and the owner(s) insurance will be invoked: ***in this case the owner(s) “dwelling coverage” provision will be the applicable coverage***
- c) when any insurable event occurs where the amount of the claim would be small, the insured party (or parties) always have the right to not file a claim with the appropriate insurance company (or companies)

NOTE TO READER: The repair project (work) will be coordinated by the HOA and done in partnership with the owner(s) involved in case “a” above. In case “b” above, the repair project (work) will be coordinated by the owner(s) involved – and will be done within the provisions/parameters of the *Declarations and Rules and Regulations* of the HOA.

Loss Assessment versus Dwelling Coverage guidance

When an Americana owner is working with your insurance company to ensure that the combination of your two coverages (HOA, owner) meet your need for complete coverage, the information below (in bullet form) is important to understand. It is very important that you understand the topic above prior to beginning your interaction.

If the Americana owner has questions prior to, or after, interaction with his/her insurance agent, please contact a member of the insurance function team (a subset of the Financial Operations Committee [FOC] membership) for assistance. The insurance team leader is currently Pete Hogue (281 495-4442, pwhogue1944@gmail.com).

- 1) There are two different interactions an owner might have with your insurance company – one is with your insurance agent (who is selling you the policy) and one is with a claims agent (should you file an insurance claim under the policy). Even after spending a significant amount of time working with our HOA Gallagher insurance agent and multiple insurance companies (both insurance agents and claims agents) the HG insurance team finds it difficult to clearly and concisely address the provisions for “loss assessment” and “dwelling coverage” – this is a complex topic.
- 2) When the type of damage leads one to think the HOA policy will be involved, that is not always the case (see the topic above) – when the damage repair expense is less than the association deductible, then the full financial burden is on the owner(s) involved. In this case the provision for “dwelling coverage” is what is involved.
- 3) In some cases (usually small damage events) only the owner’s policy is involved. In this case the provision for “dwelling coverage” is what is involved.
- 4) A separate document provided by Gallagher (our Association insurance agency) is being furnished to you which provides both insurance information in general as well as more information on this topic. It is entitled *2023 Insurance Program – Heritage Grand Homeowner’s Association, Inc.*