

To Owners at the Chalet:

**How does condo insurance work?**

Because condo owners are ultimately only responsible for the personal space they live in, condo insurance works much differently than homeowners insurance. Whereas homeowners are responsible for insuring the inside and outside of a home (as well as the land it sits on), condo insurance typically only requires owners to insure some of the interior, plus the personal property of their residence.

**What does The Chalet master policy cover?**

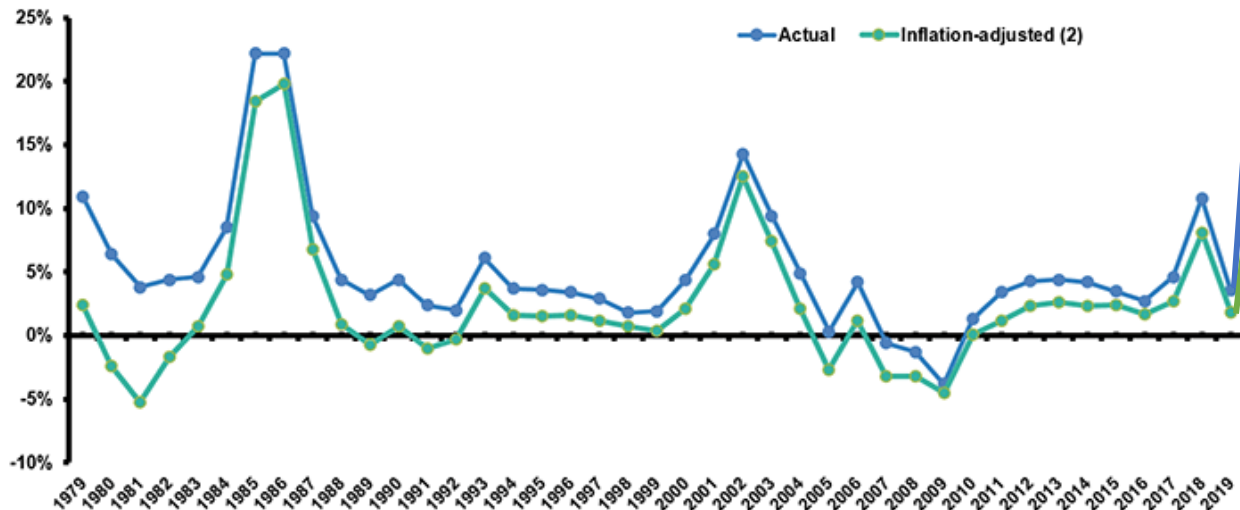
The Chalet Master policy is a “Bare walls” policy, which means the policy will rebuild the physical structure to the interior of the unfinished interior surfaces. The unit owner is responsible for all fixtures, installations, and additions within the interior of the unit, as well as exterior build out (e.g. countertops, bathroom and kitchen fixtures, flooring, exterior fireplaces, porches, and decks). Insurance also does not cover the physical land or softscape.

The 18 acres of land, and any physical structures (e.g. light stanchions) are covered by the master policy, which is owned by the property owners association (POA).

The insurance program for chalet owners has been designed to cover a rebuild of the dwellings on a fully insured basis which has been supported by inspections and comparisons of current construction costs. The policy currently has limits for the entirety of the association for earthquake at \$5 million and flood at \$10 million, all with \$100k per-incident deductibles. Chalet BoD will review with Risk Strategies the availability, pricing and appropriateness of buying additional EQ insurance in the context of their recommendations supported property loss modeling.

The deductible has been increased recently as part of a long-term strategy to discourage small claims and to keep premiums lower for all owners over a long duration. We are now in a “hard” insurance market where pricing is increasing at high double-digit rates and at times unavailable. Frequent claims can result in pricing increases and lack of coverage availability. While market pricing increased by 25% or more this year, our cost increase was kept flat versus 2019.

The chart below shares average rate increases over past 4 decades, including three hard market periods. We believe that the current spike in property costs will be steeper and have a longer duration than prior hard markets. We believe our strategy will provide the best results through the hard market and will make us an attractive risk when the market does turn.



## Claims Questions

When damage occurs to the shared buildings, common areas or relevant interior of a unit, the condominium's POA takes responsibility. For example, if the building were to sustain damage during a natural disaster, the POA will make the claim to the carrier and, in turn, they'll be covered for the loss. The master condo deductible would be the responsibility of the unit owner(s) suffering the loss.

The primary purpose of the Chalet Association's master policy is to protect the condo owners from major, catastrophic events. In order to maintain coverage at a reasonable cost, there are benefits to all of us by excluding small claims from our Association's coverage.

### **What is the most common type of losses you see in condos and what are the issues that result?**

The most frequent and problematic losses are caused by water and fires associated with BBQs and stoves. All condo owners are encouraged to diligently keep an eye on fixtures, BBQs and stoves to prevent unexpected damage. To support this diligence, the Chalet BoD has authorized the COA manager to conduct annual inspections with third party domain experts.

### **What about liability coverage?**

Determining who is responsible for what is the most "confusing" thing about condo insurance, and the answer will be dependent on the specific facts of each incident. In the case of liability coverage, condo owners will be held responsible if a visitor is injured inside their unit, if they accidentally injure someone away from their unit, or they damage someone else's property. Each individual unit owner is responsible for the damage to their unit and contents. If someone is injured in a common area (e.g. a visitor slips on a driveway) the POA insurance would typically respond as primary coverage, with your personal coverage being secondary.

### **How much personal coverage is necessary?**

Now that we have determined what exactly what is covered under the master policy, it's time to acquire/optimize individual coverage for your unit.

The base components of YOUR individual coverage:

- Your personal contents (furniture, artwork, clothes, home accessories)
- Master policy deductible (lowers the master policy deductible to your personal deductible)
- Your personal liability associated with ownership of the property
- Loss of Use of your unit due to a covered loss. This can pay for you to rent another condo while yours is being repaired. This can also cover loss of rental income if you normally rent your unit and are unable to due to a covered loss.

The most common carriers for high value properties are Chubb, Pure and AIG. You will need to choose a limit for your personal property coverage. We would recommend a deductible of at least \$2,500 to keep the premiums appropriate for your personal coverage.



**What should I do if I think I have an insurable loss?**

In the event damage is sustained by property covered by the master policy, please inform the COA manager, Taylour Wilson, as soon as possible at 406-995-7909 [Taylour.wilson@yellowstoneclub.com](mailto:Taylour.wilson@yellowstoneclub.com).

Losses that are largely limited to personal property should be addressed with your personal insurer.

If you have any questions or would like an individual review of your personal insurance, please contact.

Jeff Kaplan  
SVP Private Client Group  
Risk Strategies  
781-961-0305  
[jkaplan@risk-strategies.com](mailto:jkaplan@risk-strategies.com)