

To Owners at The Settlement,

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. 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 and the personal property of their residence. The land, structure and permanent fixtures are covered by the master policy which is purchased by the property owners association (POA).

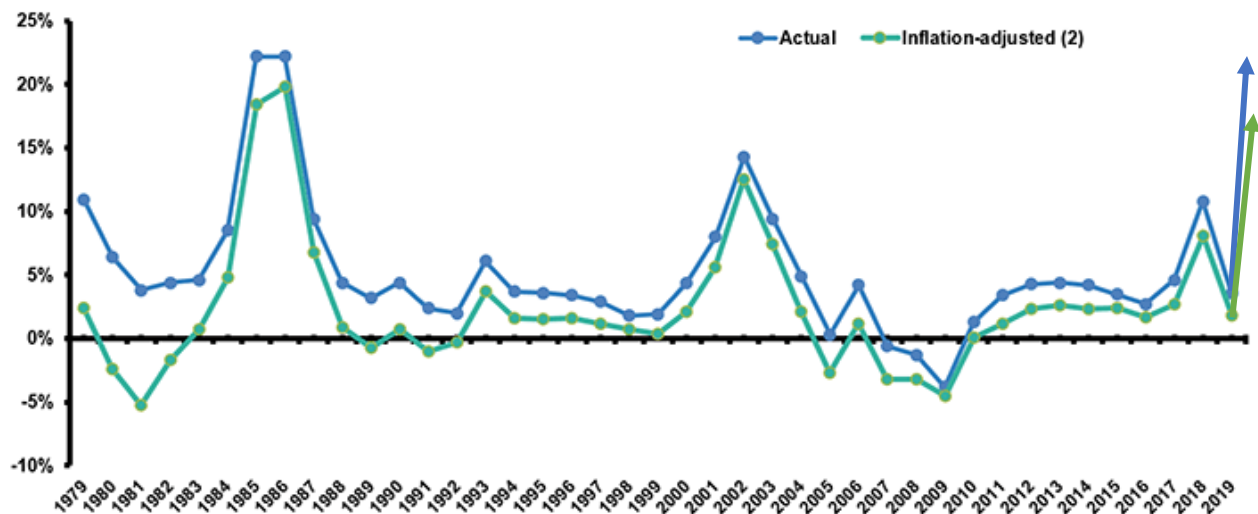
What does The Settlement master policy cover?

The Master policy is an “All-In” policy which means it covers all fixtures, installations, and additions within the interior of the unit. (i.e. countertops, bathroom and kitchen fixtures, flooring) . Importantly, the master policy assumes that the condo fixtures and interiors are largely unchanged subsequent to their initial construction. Any modifications that change the replacement cost should be reported to the COA manager.

The master policy is written with a 100k per-incident deductibles.

The deductible has been increased 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 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 the market pricing increased by 25% or more our cost increase was kept to single digits.

The chart below shares average rate increases over past 4 decades. With 3 distinct hard markets. We believe that the spike in property costs will be steeper and have a longer duration than prior hard markets. This strategy will provide the best results through the hard market and will make us an attractive risk when the market does turn.



When damage occurs to the shared buildings, common areas or relevant interior of the 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 Settlement master policy is to protect the condo owners from major, catastrophic events. In order to maintain coverage at a reasonable cost, it is prudent to limit the number of small claims.

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 BBQ's and stoves. All condo owners are encouraged to diligently keep an eye on fixtures, BBQs and stoves to prevent unexpected damage.

What about liability coverage?

Determining who's responsible for what is easily the most confusing thing about condo insurance and will be dependent on the individual facts of each incident. In the case of liability coverage, condo owners will be held responsible if a visitor is injured inside their unit, 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 one of their complex's common areas (e.g., visitor slips in the pool) The POA insurance would typically respond as primary 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 individual coverage for your unit.

The base components of individual coverage:

- Your personal contents (furniture, artwork, clothes, home accessories)
- Master policy deductible response (lowers 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- can pay for you to rent another condo while your condo 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?

Losses that are largely limited to personal property, should be addressed with a condo owners' personal insurer.

In the event damage is sustained by property covered by the master policy, please inform the COA manager, Adam Shaw, as soon as possible at 406-220-3388 or adam.shaw@yellowstoneclub.com.

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