

**RIM VILLAGE HOMEOWNERS ASSOCIATION
P.O. Box 1583, Moab, Utah 84532**



November 17, 2011

Dear Homeowners,

During the 2011 Utah State legislative session new laws regarding insurance coverage for townhome and condominium developments were passed. Attached is a memorandum that summarizes those laws. To highlight how the new laws apply to each owner we want you to be aware of the following:

1. The HOA master insurance policy covers carpets, light fixtures, plumbing fixtures, windows, cabinetry and HVAC.
2. Owners should have photos and an inventory of related interior finishes on file.
3. If an owner or a guest initiates damage to their unit or a neighbor's unit, the owner's liability insurance coverage takes precedence over the HOA policy and you must carry enough coverage on your policy to make the requisite repairs.
4. The HOA policy deductible is \$10,000. The HOA financial reports must reflect a line item on the balance sheet that lists the deductible as an additional liability.
5. Owners' policies need to insure personal property, personal liability and are encouraged to add a minimum of \$10,000 coverage to your policy under Buildings coverage to cover the deductible under the HOA's policy.

If you have any questions, you are encouraged to contact your personal insurance agent to make certain you have the appropriate insurance coverage.

Sincerely,
Rim Village Homeowners Association
Duane Stewart Gordon Huetter
Nancy Motter Mike Sawyer
Mel Taylor Sharon Butler

Summary of Senate Bill 167 § 57-8-43 Legislation

This new law applies to policies issued or renewed after July 1, 2011. The new provisions do not apply to associations without attached units/dwellings, or if the project's lots are restricted to entirely nonresidential use.

Any association provision, bylaw, or rule governing the association of unit owner that is contrary to a provision of this new law has no effect.

Highlights of the new insurance provisions:

- a. Definition of unit now includes any fixture, improvement, or betterment installed by a unit owner including floor covering, light fixture, electrical fixture, heating or plumbing fixture, paint, wall covering, window, and any other item permanently part of or affixed to a unit or to a limited common element.
- b. An association may have a property deductible up to \$10,000.
- c. The association's policy provides primary insurance coverage for unit damage. Coverage is to be written not less than 100% of the full replacement cost of the insured property at the time the insurance is purchased, and at each renewal thereafter. An insurer under a property policy or liability insurance policy obtained under this section waives the insurers' right to subrogation under the policy against any unit owner or member of the unit owner's family.
- d. In the exercise of the business judgment rule, if the management committee determines that the claim is likely to not exceed the deductible of the property insurance the association need not tender the claim to the association's insurer.
- e. Liability insurance shall be written in an amount determined by the management committee but not less than specified in the declaration or bylaws.
- f. A unit owner making a claim on the HOA policy pays the deductible. If two or more unit owners suffer losses in a single event, they are each responsible for payment of a portion of the HOA's deductible based on the percentage of the loss they each suffered.
- g. If a unit owner does not pay his share of the loss, the HOA may levy an assessment against the owner.

Under this new law the definition of unit has been defined by statute and no longer by the association's bylaws. Unit owners should still purchase their own HO-6 personal policy to provide building coverage for at least the deductible amount of the association's property deductible, as well as coverage for their own personal belongings, and personal liability.

Unit owners should consult with their own agent to determine the suitability of their personal HO-6 policy to dovetail with this new insurance statute for associations.

Insurance Certificate Contact: Becky Sullivan at bsullivan@beehiveinsurance.com, or call [801.685-6886](tel:801.685-6886).