

**Lake Front Homeowners Association, Inc.**

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RE: Association Property Insurance  
and Personal Homeowners Policies

Dear Homeowner,

It is very important that you are aware that the Association's property insurance carries a 2% Wind and Hail deductible. Please share this information with your homeowner's insurance broker/carrier and adjust your homeowners policy accordingly. Special Assessment insurance is available for a very minimal cost on personal homeowners policy and this may be coverage suggested by your carrier or broker based on the information provided below.

Insurance costs have increased dramatically over the last three years. In 2010 and 2011, Colorado experience several hail storms that resulted in very large claims for roof damage all across the front range of Colorado. For this reason, insurance cost has increased as insurance companies try to limit their exposure to these types of claims. For 2014, insurance companies either don't cover wind and hail damage, have added a 2% of the policy value as a deductible for wind and hail, or made wind and hail a separate rider on the policy.

Quotes for a rider to cover Lake Front HOA for wind and hail damage were over \$25,000 on top of the \$15,000 base policy cost. Spread across 85 homeowners that cost would have meant an increase in dues of over \$24 per month for insurance cost alone.

The option selected by the HOA Board of Directors is to have a 2% wind and hail deductible. In the event of a wind or hail claim, the deductible would be 2% of the total policy value of \$15,020,000 or a \$300,000 deductible in round numbers. Some of the deductible would be paid out of the Association reserves funds. The rationale is that a roof installed in 2008 will last for 20 years and will be replaced in 2028 with reserve funds saved over 20 years. A new roof installed in 2013 would need replacing in 2033 and funds saved between 2008 and 2013 would be used to pay the insurance deductible. The balance of the deductible would be paid via a SPECIAL ASSESSMENT by the homeowners.

It is important to discuss special assessment insurance with your personal homeowner policy carrier or broker. This coverage is significantly less expensive than the cost of a wind and hail rider and is the least expensive way of covering wind and hail deductibles at this time.

Yours Sincerely,

Lake Front HOA Board of Directors