

MONTECIDO AT PORTOLA HILLS ASSOCIATION

c/o Total Property Management, Inc.
23792 Rockfield Blvd, Suite 100
Lake Forest, CA 92630
(949) 261-8282 Office * (949) 261-6958 Fax
www.Montecidohoa.com

Dear Members:

There is no doubt that each of the owners has an appreciation of how the drought has impacted our surroundings. The residents of Montecido were requested to evacuate twice in a 12-month timeframe. California no longer has a "fire season." The threat is present year-round. Fires in the United States have cost the insurance industry unprecedented losses. The 2018 Camp fire cost over \$10 billion alone. The insurance carriers have re-evaluated their underwriting and it has had an unprecedented impact on our Montecido community.

Last year we had over \$80 million in property damage coverage. The premiums were \$110,841 and we had a \$10,000 deductible. This year, our insurance carrier, Farmers Insurance, refused to renew the policy.

The Board has worked with multiple brokers that have attempted to obtain an insurance policy for Montecido. Of the 34 carriers/programs contacted, only 8 provided quotes. The greatest amount of coverage that a carrier/program is willing to provide so far is \$10 million. The premium for that coverage alone is \$366,661.26. In other words, we will have 1/8th of the property coverage at three times the cost. Further, the deductibles have increased to the following:

\$250,000 for wildfires
\$50,000 for water losses
\$25,000 for other covered perils

This is the best policy any broker has found. We are underinsured. The selected insurance broker is searching for additional insurance policies to increase coverage. The premiums are incredibly high. We are unable to obtain the insurance required by the CC&Rs and the large deductibles will result in greater out-of-pocket costs for the homeowner's association and the members.

Under Section 5.06 of the CC&Rs, each owner is obligated to separately insure the owner's personal property and carry public liability insurance. **It is extremely important that each homeowner purchase a sizable homeowner's insurance policy.** The large deductibles under the master policy will mean that you will need to rely on your own insurance for most losses.

Each owner should have a conversation with their own agent about Loss Assessment Coverage. Loss Assessment Coverage offers protection against a homeowner's portion of a loss assessment levied by the Association on all members for an insured peril (or the deductible). Loss Assessment Coverage is designed to protect the individual homeowner against such a special assessment. Because the homeowner's association is unable to provide the insurance coverage needed in a large loss, a special assessment would be needed to rebuild. **You should be looking to maximize your Loss Assessment Coverage.**

Unfortunately, and even though Montecido cannot get the insurance coverage it needs, the insurance coverage that we can obtain is very expensive. The Board anticipates that a regular assessment increase will be needed to purchase the insurance. You will be provided with additional information as it becomes available. The Board also will ask the members to vote on an amendment to the CC&Rs that will reflect the insurance market. The Association is currently required to obtain insurance that is simply not available at any price.

The Directors recognize that this is a hard message to receive. It was a hard message to deliver and certainly the Directors are as distraught over this insurance crisis as every other homeowner. You can be sure that the Board will continue to engage with insurance brokers and work very hard to locate a better policy in the future.

We understand that homeowners will want additional information. The Board has scheduled a special town hall meeting to provide further detail and address questions. The meeting will take place via videoconference on **October 13th at 6:30 p.m.** The log-in information is:

**TOWN HALL MEETING – VIA ZOOM
OCTOBER 13, 2022 AT 6:30 P.M.**

By phone: Call: 669-900-6833 Meeting ID: 864 0157 6463 Password: 307121

By video:

<https://us02web.zoom.us/j/86401576463?pwd=YUorb0JxbIB5VExVbG9qd0FFWkltZz09>

Board of Directors
Montecido at Portola Hills Association



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
09/29/2022

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER 888-791-7069 Brian Berg Insurance Services (BBIS, Inc.) 25950 Acero, Suite 345 Mission Viejo, CA 92691 Kristina Hinds		CONTACT NAME: Kristina Hinds PHONE (A/C, No, Ext): 888-791-7069 FAX (A/C, No): 877-203-6958 E-MAIL ADDRESS:															
INSURED Montecido at Portola Hills Association Total Property Management, Inc 23792 Rockfield Blvd., Ste 100 Lake Forest, CA 92630		<table border="1"> <thead> <tr> <th>INSURER(S) AFFORDING COVERAGE</th> <th>NAIC #</th> </tr> </thead> <tbody> <tr> <td>INSURER A : Evanston Ins Co</td> <td>35378</td> </tr> <tr> <td>INSURER B : Gotham Insurance Company</td> <td>25569</td> </tr> <tr> <td>INSURER C : Federal Ins Co</td> <td>20281</td> </tr> <tr> <td>INSURER D : Philadelphia Indemnity Ins Co</td> <td>18058</td> </tr> <tr> <td>INSURER E : Hartford Fire Ins Co</td> <td>19682</td> </tr> <tr> <td>INSURER F : Technology Insurance Co., Inc.</td> <td>42376</td> </tr> </tbody> </table>		INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A : Evanston Ins Co	35378	INSURER B : Gotham Insurance Company	25569	INSURER C : Federal Ins Co	20281	INSURER D : Philadelphia Indemnity Ins Co	18058	INSURER E : Hartford Fire Ins Co	19682	INSURER F : Technology Insurance Co., Inc.	42376
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COVERAGES CERTIFICATE NUMBER: REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR	<input checked="" type="checkbox"/>		3AA605440	09/26/2022	09/26/2023	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000
D	<input checked="" type="checkbox"/> D&O/\$1MM/\$1K Ded. GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:	<input checked="" type="checkbox"/>		PCAP0362140122	09/26/2022	09/26/2023	MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMPI/OP AGG \$ 2,000,000
A	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY	<input checked="" type="checkbox"/>		3AA605440	09/26/2022	09/26/2023	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
C	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$	<input checked="" type="checkbox"/>		G74522129	09/26/2022	09/26/2023	EACH OCCURRENCE \$ 15,000,000 AGGREGATE \$ 15,000,000
F	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) <input type="checkbox"/> Y / N If yes, describe under DESCRIPTION OF OPERATIONS below		N / A	TWC4164334	09/26/2022	09/26/2023	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
B	Building/Property			TBD	09/26/2022	09/26/2023	10,000,000 25,000 Ded.
E	Fidelity Bond	<input checked="" type="checkbox"/>		72BDDIY1396	09/26/2022	09/26/2023	4,000,000 40,000 Ded.

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

****Replacement Cost**Walls in coverage to Original Specifications**300 units*
Management Co included as Named Insured**Work Comp includes Board Members**
Special Form**Severability Clause**Bldg Ordinance or Law**Inflation Guard**
\$50,000 Water Ded.\$250,000 Wildfire Ded.**Wind/Hail Included**30 day
cancellation notice, except 10 day non-payment**Boiler & Machinery****

CERTIFICATE HOLDER

CANCELLATION

TOTALPR Total Property Management, Inc 23792 Rockfield Blvd., Ste 100 Lake Forest, CA 92630	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE Kristina Hinds



Condominium Unit Owners Insurance

“How association property coverage affects my HO-6 policy”

This newsletter is designed to inform you of association coverage as it pertains to association governing documents. Due to drastic changes within the insurance industry, increased cost of construction and catastrophic losses incurred from 2018 through 2021, the association board has elected to purchase coverage with a \$25,000 all other peril deductible, a \$50,000 deductible pertaining to water losses and a \$250,000 deductible pertaining to wildfire related losses on the current policy term.

This translates to each individual homeowner's responsibility to insure the *upgraded* interior surfaces of their respective units, (at a minimum value of \$50,000 to \$100,000) including but not necessarily limited to, flooring, cabinetry, countertops, built-in or set-in appliances, toilet fixtures, lighting fixtures, ceiling fans, crown molding, custom paint, etc. Coverage for these upgrades, can be purchased through your “condominium unit owners”/“HO-6”.

The insurance industry is still attempting to comprehend the 2018 through 2021 fire losses sustained throughout the Northwestern United States. The 2018 fire season was the worst on record within the state of California, until the fire season of 2020, which was then overtaken, by the 2021 season. For reference, 9 of the largest 20 fires in the recorded California state history (dating back to 1932) have occurred within the last 18 months.

The aforementioned scenarios have drastically increased the association total annual premium and immensely reduced property coverage availability. The premiums for the association have increased by approximately 1,000% with the insurance

coverage limits being reduced by 87%. The reduction of coverage is currently the only option available.

How can you as homeowner protect yourself from future losses?

1. Contact your personal insurance carrier (the agent who writes your HO-6 condominium unit owners policy and/or auto coverage) and inquire with them about adding coverage for the units interior property and/or increasing the building coverage on your existing policy. Be sure to inform your current agent of the association \$25,000 / \$50,000 property and \$250,000 wildfire deductibles.
2. Inform your current agent of the need for “Loss Assessment” coverage at maximum available limits.
3. If you do not have a current HO-6 policy, our office and the association board of directors strongly recommend you purchase one in order to protect your investment.
4. Contact the California Fair Plan for supplemental and/or primary insurance coverage. Visit their website at www.cfpnet.com / 800-339-4099 Phone

Feel free to contact our office with any questions and/or concerns.

Tania Solis – 888-791-7069 Ext. 418

Tania@bbisinc.com

Written by:

A handwritten signature in black ink, appearing to be "B. Berg", written over a white background.

Brian P. Berg

Brian Berg Insurance Services, Inc.

Brian@bbisinc.com

INSURANCE INFORMATION FOR MONTECIDO AT PORTOLA HILLS ASSOCIATION

This information sheet will assist the unit owners understanding of the following:

- The association Master Insurance policy
- The unit owners individual insurance needs
- How to obtain a certificate of insurance
- How to file a claim

THE ASSOCIATION MASTER PROPERTY POLICY

Covered Property:

In accordance with association governing documents, Article V – Insurance, Section 5.01 – Obligation to Insure, (b) Fire and Casualty Insurance, long with Section 5.06 – Rights of Owners to Insure, the association policy provides coverage for the following: Buildings housing residential units, common areas, permanently mounted interior fixtures, built-in/set-in appliances, flooring, toilet fixtures, wall coverings, cabinetry, countertops, lighting fixtures, baseboards, etc. to original specifications.

Property Not Covered:

Improvements / betterments made to the interior of the unit coupled with all unit owner personal property, owned by the unit owner/tenant and not the association per CC&R's. The association policy will not replace improved items on the interior of the unit, which are mounted to the building. These items need to be insured by the homeowner independently from the association policy.

Covered Causes of Loss (Types of Damage):

The association policy is written on a "Special Form" basis. This includes but is not necessarily limited to the following: fire, vandalism, malicious mischief, windstorm, hail, explosion, riot, civil commotion, smoke, falling objects, collapse, sudden or accidental discharge of water from an item contained within a "unit."

Non-Covered Causes of Loss (Types of Damage):

Including but not necessarily limited to, general wear & tear, deferred maintenance items, fungus, rust, corrosion, decay, deterioration over time, hidden or latent defect or any quality in property that causes it to damage or destroy itself, quality of craftsmanship, faulty construction, shifting, smog, damage by insects/pests/animals, settling, cracking, shrinking or expansion, water intrusion, repeated leaking/seeping of water, poor maintenance, earth movement, volcanic eruption, surface water/runoff, ground water, mudslide, mudflow, asbestos, negligent work.

Association Property Deductible:

\$25,000 per occurrence for losses other water related, \$50,000 for water related losses and a deductible of \$250,000 per occurrence pertaining to losses related to wildfires. Payment of the deductible can be determined by the party responsible to maintain the item which malfunctioned, leading to the loss. The unit owner may be responsible for payment of this figure. The responsibility of maintenance is spelled out within the association CC&R's and other governing documents.

UNIT OWNER INSURANCE NEEDS

Personal Property:

Unit owner personal possessions/belongings as the association policy does not provide coverage for these items, ie; electronic equipment, decorations, jewelry, furs, firearms, furniture, etc.

Betterments or Improvements:

Property which is permanently mounted to the interior of the units, which was not part of the original transition from developer to primary homeowner. Including, but not limited to, cabinets, countertops, flooring, baseboards, lighting fixtures, bathroom fixtures, crown molding, ceiling fans, wall coverings, etc. if upgraded at the homeowners expense.

Loss of Use:

Necessary in the event a unit owner is unable to live within the unit due to a covered cause of loss. This covers additional living expenses while the unit is uninhabitable. If the unit is rented, this coverage is known as "Loss of Rents" on the landlord protector policy.

Loss Assessment:

Protects unit owners from a special assessment levied by the Association due to a loss which exceeds the Association master policy limits.

Building / Betterments & Improvements:

Unit owner (HO-6) and/or landlord protector policies need to include coverage for buildings, betterments / improvements as the unit owner could be responsible for payment of the association deductible, depending on the origin of the loss. **The association property deductible varies dependent on the origin of the loss. See above section titled "Association Property Deductible:"**

Personal Liability:

This coverage provides for bodily injury which occurs within the unit along with damage to property if the unit owner is liable due to unintentional acts committed by family members, including sporting activities, pets and/or actions outside of the residence.

HOW TO OBTAIN A CERTIFICATE OF INSURANCE

BBIS contracts with a 3rd party company to facilitate these requests. Evidence of Insurance Direct is available, on-line (24/7), for unit owner, lender and/or mortgage company convenience. The EOI Direct website is www.EOIDirect.com. The EOI Direct Help Line can be reached at 877-456-3643.

HOW TO FILE A CLAIM

Please notify your management company and/or assigned board of directors member to inform them of the incident, details, etc. Claims payments will be made to the association board of directors as trustees for disbursement. In the event they are unavailable, please contact our office at your earliest opportunity. If the claim instance is represents a life threatening emergency, please contact your local fire department / police / paramedics by dialing 911.

The above information is provided as a reference to assist in understanding the association basic coverage and unit owner responsibilities. Please review both association and unit owner policies for final coverage determination.