June 24, 2022

To: All homeowners in the Millstone Square Townhome Association

Re: Questions pertaining to the roof insurance claim

Hello Homeowners,

Both the Board of Directors and the Management Company have received many questions. So, we will answer the more common ones here. If you have any questions, feel free to contact Royal Ross at G&H Management. ([royal@gh-properties.com](mailto:royal@gh-properties.com))

1. What was the investigative process?

On April 12, 2022, there was a hailstorm in the area. Soon thereafter, G&H Management (Management) began the investigative process. Given their positive history with Millstone Square Townhome Association (Association) going back several years, Capital Construction was selected to perform initial inspection. Hail damage was found, and a claim was filed. (Once the Board knows of damage, they are obligated to follow through and file a claim to protect the property and preserve the property values.)

An adjuster with American Family Insurance was sent, who met with Capital Construction to cooperatively inspect the roofs. (It is important for the Association to have an expert present on their behalf; Capital Construction acted as the Association’s representative in this case.) The adjuster determined that sufficient hail damage had occurred, and a replacement of the roofs and gutters was covered and approved under the Association’s insurance.

1. What items were included as approved for replacement in the roof claim?

The insurance company is obligated to make the Association whole and replace all the damaged areas to retain the value of the property. If the adjuster finds damaged areas, they include ALL damaged items for replacement as the insurance company is required to make the property whole again. (They cannot replace the shingles and not the dented vents just to save money.) This claim includes replacement of shingles, vents, valleys, gutters, downspouts – basically all portions of the roof.

1. How was the total insurance claim and deductible calculated?

Including initial assessment and supplement, the total project value is approximately $820,000. This amount may increase if more damaged items are found such as siding, screens, etc. Of the total project value of $820,000, the association’s deductible is $660,000 (equal to 5% of the total property value for wind / hail). Therefore, the association’s insurance company is covering about $160,000.

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1. Why is the deductible so high on the Association’s insurance?

For the past several years, the upper Midwest has experienced many storms that have produced property damage. As a result, many insurance companies have left the homeowner association market in the Midwest. The remaining insurance companies have been increasing prices and decreasing coverage, thereby raising deductibles on policies for associations. A few years ago, American Family increased the wind / hail deductible for larger associations such as Millstone from 2% to 5% of the total property value.

1. Why is the deductible not covered with the monthly association dues?

This deductible amount ($660,000) cannot be covered by monthly association dues in the Association’s Reserve Account. Those funds can ONLY be used for capital maintenance or capital replacement projects where insurance is not involved. (See Section VIII – Insurance and Reconstruction of the Declarations – specifically section 2.0 Premiums; Improvements; Deductibles.)

1. Is each homeowner responsible for the $11,375 LOSS ASSESSMENT?

Yes. The deductible of $660,000 is divided up equally between all 58 homeowners. Each homeowner is responsible for $11,375, paid to Millstone Square Townhome Association.

This amount of $11,375 is considered a LOSS ASSESSMENT (very important term). A LOSS ASSESSMENT is issued by an HOA specifically as a result of a storm insurance claim. This designation allows homeowners to claim the LOSS ASSESSMENT against their personal insurance policy, typically called an “HO-6” policy. The homeowner’s HO-6 policy may pay the LOSS ASSESSMENT claim less the homeowner’s own insurance deductible, usually between $0 and $1,000 if the homeowner is properly insured.

1. When is the LOSS ASSESSMENT payment due, and how was the due date chosen?

**Homeowners must issue payment no later than July 20, 2022.** After official notice on June 9, 2022, this allowed a 6-week window for issuing payment, which should be enough time for the homeowner to file an HO-6 claim with their personal insurance company or make other financing arrangements. As with all major construction projects, timely payments must be given to ensure schedule completion.

1. What prior communication was given to homeowners about getting proper personal coverage?

For the last 2 years, homeowners have been notified twice each year regarding “HO-6” insurance information, emphasizing their responsibility of getting proper coverage. The information was sent via both email and postal mail on November 22, 2021, alongside budget/dues notifications. Most recently, this same information was included in the printed annual meeting packet that was postal mailed to all homeowners the week of February 28, 2022, and the insurance information was always discussed and covered at the annual meeting in February 2022.

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1. Can a homeowner opt out of the project, do the project themselves, or hire their own contractor?

No. Homeowners cannot opt out of the project.

No. Homeowners are not allowed to work on common elements or limited common elements due to liability.

No. Homeowners cannot hire their own contractors for work outside of their home. (Homeowners can hire contractors of their choosing for projects inside the home.)

1. What can a homeowner do if they are not properly insured?

The Association is not in the financial position to cover the funds nor to allow payment installments from homeowners. If the homeowner cannot pay the LOSS ASSESSMENT, they must seek to make other arrangements such as a home equity loan. Otherwise, the Association will be forced to put a lien on the home to protect the Association from loss. **If a homeowner finds themselves in this situation of not being able to pay the Loas Assessment, it is strongly suggested that the homeowner seeks legal advice.**

If there is any information that I can provide to a homeowner or a homeowner’s insurance agent, feel free to contact me. I will do anything I can do to help.

Royal Ross, Association Manager

The Board of Directors of the Millstone Square Homeowners Association