



Pepper Townhomes Association

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May 19, 2022

IMPORTANT NOTICE

To: Pepper Townhomes Association Owners
Re: Insurance/Governing Document Amendments
From: Pepper Townhomes Association Board of Directors

As you know, the Association's insurance company, State Farm, cancelled the HOA insurance policy, without appropriate notice. The Board of Directors and Management Company have been exploring any and all options for replacement coverage, and have contacted multiple brokers and insurance agents, but the options were extremely limited, due to fire proximity concerns, and a past claim. The only option available at this time is a \$5 million policy, at an annual premium of more than \$148,000. *That is five times more than the premiums for previous years, for a 5th of the coverage.* Neither this expense, nor the underinsured status, is sustainable by the HOA in the long term.

After consulting with the Association attorneys and multiple insurance agents, the consensus is that the only way for the Association to remain properly insured, at a reasonable cost, is for the building insurance to the individual owners. Property insurance for individual owners is much different than for commercial policies (i.e. HOA's), and is more readily available at *better rates* on an individual basis. Several owners have already obtained quotes for individual policies that includes coverage for the building.

Although the current CC&R's don't actually specify who is responsible for insurance, the enclosed information is provided for voting on a CC&R amendment that would specifically allow for owners to insure their individual unit as well as that portion of the building in which the unit is located against fire and other casualties. Also included in the amendments are a few clean up provisions for both the Bylaws and CC&Rs.

For the \$5 million policy noted above, a minimum of 35% of the annual premium must be paid, no matter how quickly we can get the amendment approved. This is an unexpected expense that was not budgeted for. As such, the Board of Directors has approved an **emergency special assessment in the amount of \$328.00 per unit**, which will cover 35% of the annual premium for the policy. **This assessment will be due July 1, 2022.**

Attention

If the enclosed insurance amendment is not approved, the only option will be to keep the \$5 million policy noted above, which will result in **another emergency special assessment** in the amount of \$610.00, which will be **due on October 1, 2022**, to cover the remaining 65% of the annual insurance premium. Additionally, if the Association has to continue to provide the building insurance, future special assessments or up to a **20% increase in dues, each year, for the next several years** to offset the insurance costs, may be unavoidable. Also, being underinsured may result in difficulties in selling or refinancing your home.

You are strongly encouraged to vote on these important amendments today.

Thank you for your attention to this matter.

Sincerely,
Pepper Townhomes Association Board of Directors