BUILDING INSURANCE PROCEDURES
Adopted March 24, 2011

Village Park is a common interest development with 636 homes and several recreational facilities. Village Park is managed by the Village Park Community Association (VPCA), a mutual-benefit corporation, through the actions of its elected Board of Directors.

VPCA contracts and pays for master insurance policies for funding the reconstruction of damaged common and private real property. The Board of Directors manages VPCA insurance policies, proceeds, and deductibles for the benefit of VPCA and its members. VPCA administers its insurance proceeds and deductibles to minimize the possibility that due to lack of funds, damaged buildings in Village Park may remain unrepaired and create unsafe and blighted conditions which affect property values and deny neighboring homeowners the enjoyment of their property.

These procedures apply only to building losses covered by VPCA's Master Condominium / Association Policy and no other losses[1]. VPCA obligates members who receive the benefit of claim proceeds to pay the deductible for VPCA's building insurances up to limits determined by the Board as specified in the Building Insurance Deductible Management Procedure below.

Funds received by VPCA related to its building insurance are distributed to pay for the reconstruction of covered buildings as specified in the Building Insurance Proceeds Management Procedure below.

Unit Owners can privately purchase an articulating HO-6 "Condo" policy with a companion earthquake policy to coordinate effectively with VPCA's master insurance policy; this combination provides members with the lowest average cost and the most complete coverage currently available in the market[2].

1. BUILDING INSURANCE DEDUCTIBLE MANAGEMENT PROCEDURE

a. Common Area Assets: Fire / General Property and Earthquake Insurances:

In regard to losses affecting common area buildings / assets, the Board of Directors will determine how to pay VPCA's deductible. The Board, at its discretion, may elect to impose a loss assessment, use funds designated for insurance deductibles, secure a loan(s) or may utilize a combination of these methods to fund the deductible.

b. Homeowner Property: Fire / General Property Insurance

VPCA obligates the homeowner with lot damage covered by the master insurance policy to be directly responsible for paying the first $10,000[3] of the covered loss to fund the policy deductible.

If more than one lot is involved in the same occurrence, VPCA obligates each lot owner to be directly responsible for paying a prorated share of and up to the $10,000 deductible. For each occurrence, the prorated share is calculated as follows: [($ dwelling covered damage) / ($ total private building covered damage)] x ($10,000).

c. Homeowner Property: Earthquake Insurance

VPCA obligates the homeowner with lot damage covered by the master insurance policy to be directly responsible for paying the first $28,750[4] of the covered loss[5] at the unit to fund the master earthquake policy deductible.

Above $28,750 of covered losses per damaged lot, the Board of Directors will determine how to fund any remaining VPCA deductible. The Board, at its discretion, may elect to use a loss assessment(s), funds designated for insurance deductibles, secure a loan(s) or utilize a combination of these methods to fund the deductible.

d. Emergency Loss Assessments[6]

When the Board majority decides it to be in the best interest of the association and its members to use an emergency loss assessment to fund VPCA insurance deductibles, each Unit Owner is responsible to pay 1/636th of the total emergency loss assessment[7].

To expedite reconstruction of VPCA insured buildings, the Board at its discretion may proceed with repairs without first collecting the entire loss assessment from a homeowner provided that it implements the Delinquent Assessment Collection Policy with respect to the unpaid portion of the assessment.

The loss assessment is titled: “Emergency Loss Assessment-Name & Date of Occurrence” (ELA-xx).

2. BUILDING INSURANCE PROCEEDS MANAGEMENT PROCEDURE

a. Common Area Assets

i. VPCA (manager) receives building insurance proceeds for repair of common buildings.
ii. All received funds (insurance proceeds, paid loss assessments, funds designated for insurance deductibles, and loans) are deposited into a sub-account designated for the occurrence as “Common Building Reconstruction Funds-Name & Date of Occurrence” (CBRF-xx).
iii. The Board of Directors directs reconstruction of damaged common real building.
iv. VPCA pays the contractor per Board direction.

b. Homeowner Property

i. VPCA (manager)[8] receives building insurance proceeds for repair of private buildings.
ii. All received funds (insurance proceeds, paid loss assessments, funds designated for insurance deductibles, and loans) are deposited into a sub-account designated for the occurrence as “Private Building Reconstruction Funds-Name & Date of Occurrence” (PBRF-xx)[9].

iii. VPCA notifies Unit Owner in writing what the Unit Owner's share is of the Private Building Reconstruction Funds (PBRF-xx), if any.
iv. The Unit Owners share of PBRF is the covered loss amount minus the actual amount for which the Unit Owner is first responsible[10], as shown in the calculation:

$$A-B=C$$

where A=$ Covered loss to the Unit; B=$ Actual amount Unit Owner is first responsible; C= Unit Owner's share of PBRF.
v. To entitle a Unit Owner's contractor to receive distribution of PBRF, a Unit Owner must be current with or in compliance with a Board approved plan for payment of all assessments and fines.
vi. The Unit Owner and licensed contractor negotiate the work proposal to reconstruct the damaged VPCA-insured building which must include a written payment schedule based on tangible work milestones.
vii. Architectural changes, roofing materials, garage doors, and exterior paint color selection require ACC approval.
viii. Board approves the payment schedule to reasonably ensure that PBRFs are used for the reconstruction of the damaged real building which VPCA has insured[11].
ix. VPCA pays the contractor the Unit Owner's share of PBRF-xx in allotments per the Board approved payment schedule.
x. Each Unit Owner pays the contractor the difference between the amount of the contract and VPCA's approved allotment.

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[1] As of January 1, 2018, State Farm General Insurance Company writes the master Condominium/Association Policy; copy available in VPCA Office for review of building losses not covered, or members may directly contact the association's insurance agent. In these procedures, the phrase "covered loss" or "covered damage" means loss or damage covered by VPCA's Master Condominium/Association Policy.

[2] The insurance market and California law may evolve in ways unanticipated that lead the Board to modify VPCA's insurances and procedures, to serve the best interests of VPCA and its membership.

[3] As of January, 2018, the VPCA fire / general hazard insurance deductible is $10,000 per occurrence.

[4] As of January, 2018, the VPCA earthquake insurance deductible is 20% of the stated amount of insurance for structure replacement cost

[5] Member Planning Information: If a Unit Owner anticipates not having funds for the first $28,750 for damage to their dwelling unit, Unit Owner can purchase earthquake coverage available from a company that is a member of the California Earthquake Authority which provides $25,000 of structure coverage after a $3,750 deductible. You must first own a regular unit owners HO-6 policy. See your CEA Policy for details on what the policy covers; for instance CEA does not cover detached garages and fences.

[6] Civil Code Section 5610 describes how a common interest development like VPCA levies emergency assessments.

[7] Member Planning Information: If a Unit Owner has no other means to pay VPCA emergency building loss assessment--which as of January, 2018 could amount to approximately $20,000 per unit in a total earthquake loss scenario--Unit Owner can purchase earthquake coverage available from a company that is a member of the California Earthquake Authority which provides $25,000 of loss assessment coverage after a $3,750 deductible. You must first own a regular unit owners HO6 policy.

[8] When the anticipated workload increase and financial documentation required for this job is best managed directly by a 3rd party insurance administrator or State Farm, the Board should approve any additional expense for this as part of the loss.

[9] Any other disaster recovery funds (e.g. FEMA, CEMA) that VPCA receives for building reconstruction can be added to the CBRF and/or PBRF.

[10] Actual amount is the smaller of the covered unit damage or the amount for which the Unit Owner is first responsible per I.B or I.C of these procedures.

[11] If Unit Owner's share of PBRF is $0, then Unit Owner need only comply with applicable ACC requirements; no payment schedule Board approval is required.