

RESOLUTION
OF THE BOARD OF DIRECTORS
OF THE ASSOCIATION OF UNIT OWNERS
OF NORTH SHORE TERRACE CONDOMINIUM
(Insurance and Deductible)

The following Resolution is adopted this 10th day of OCT., 2015, by the Board of Directors of The Association of Unit Owners of North Shore Terrace Condominium (the "Association").

RECITALS

As required by Article X, Section 1 of its Bylaws and ORS 100.435(1), the Association purchases a property casualty insurance policy covering both the units and the common elements in the Condominium. That insurance has a deductible amount, which is currently \$5,000.00, except for earthquake and flood damage, where the deductible ranges from \$40,000 to \$55,000 per building. The Board of Directors may adjust the deductible amounts from time to time to respond to prevailing conditions in the insurance market. When an insured loss takes place affecting a unit, the insurance carrier will pay the loss, as adjusted by the insurance company and Board, less the deductible amount. The purpose of this Resolution is to communicate to the owners the position of the Board regarding responsibility for payment of the deductible, and the insurance coverage unit owners must obtain.

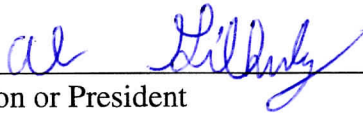
IT IS HEREBY RESOLVED, that in the event of an insured casualty loss to a unit at North Shore Terrace, the individual owner whose unit is damaged is responsible for paying the deductible and any other uninsured loss to the owner's unit. The Declaration and Bylaws state that maintenance, repair, and replacement of the individual unit is the

responsibility of the individual unit owner, while the Association is responsible for common elements. Accordingly, when a unit is damaged by casualty, it is the responsibility of the unit owner to make up any cost of repair not covered by the Association's insurance policy. When an insured loss occurs to the common elements, the Association is responsible to pay the deductible, which will then be absorbed by all owners as part of the Association assessments. In the event that unit owner(s) and the Association have duplicate insurance coverage, the Association's policy is deemed primary.

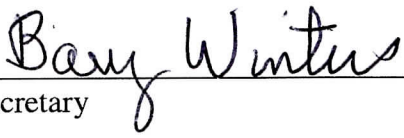
IT IS HEREBY FURTHER RESOLVED, that pursuant to Article X, Section 2 of the Association's Bylaws and ORS 100.435(7), all unit owners are required to maintain an insurance policy that covers: (1) the owner's unit for not less than the amount of the deductible (currently \$5,000) in the Association's general insurance policy; (2) the unit owner's personal property; and (3) comprehensive liability insurance for negligence of the unit owner, tenants and guests with limits of not less than \$300,000 per occurrence. Coverage for earthquake or flood damage is optional, although a unit owner whose unit is damaged by earthquake or flood is responsible for payment of the deductible of the Association's policy and any other uninsured loss to the owner's unit.

IT IS HERBY FURTHER RESOLVED, that a copy of this Resolution and a notice required by ORS 100.435(9) shall be mailed to each unit owner within 10 days.

IN WITNESS WHEREOF, the undersigned Chairperson or President and Secretary of Association of Unit Owners of North Shore Terrace Condominium Board of Directors hereunto set their hand, certifying that the above-referenced Resolution was adopted at a properly noticed meeting of the Association's Board of Directors at which a quorum was present.



Chairperson or President



Secretary

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May 19, 2015

Lee Hardy
Yaquina Bay Property Management
146 SE 1st St.
Newport, OR 97365

RE: AUO of North Shore Terrace Condominium- Insurance

Dear Lee:

This follows our telephone conversation of May 11 and your emailing of the two new insurance policies obtained by the Board, being (1) a Commercial Property and General Liability Policy from Liberty Mutual/West American Insurance Company, covering both the units and common elements; and (2) Commercial Property Insurance from ICAT including coverage for earthquake and flood damage.

You generally asked how the Board of Directors should proceed in terms of informing unit owners of this coverage so as to prevent duplication of coverage (by both the Association and unit owners), and addressing responsibility for payment of the deductible when a claim is made for damage to a unit.

The best way to accomplish these goals is for the Board to adopt a resolution as specifically authorized in ORS 100.435(6) and (7). Those subsections authorize the Board to adopt a resolution assigning responsibility for payment of the deductible when a claim is made and requiring unit owners to obtain insurance covering that deductible and the individual liability of unit owners. A draft of such a proposed resolution is attached. If the Board adopts the resolution, the statute addresses the contents of a notice that must be sent to the unit owners along with a copy of the resolution. I have not prepared that at this point as I anticipate that you or the Board may have questions or changes before the resolution is adopted.

I wanted to explain one caveat. That is that the provisions in the Bylaws regarding insurance, Article X, Sections 1 and 2, appear to require both the Association and unit owners to provide insurance coverage on the respective units. I think that was probably unintended.

Article X, Section 1 of the Bylaws provides:

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Lee Hardy

“1. Association’s Responsibilities. A unit that has suffered damage must be repaired or reconstructed. As a result thereof, the Association shall, through its Board of Directors, procure the insurance required by ORS 100.435(2).”

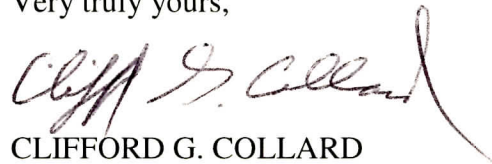
The problem is that the section cites to subsection 2 of ORS 100.435, rather than subsection 1. A copy of the entire statute is attached. Because the first sentence above provides that a damaged unit must be repaired or reconstructed, subsection 1 of ORS 100.435 requires the Board of Directors to obtain insurance covering both the common elements and individual units. Thus, the citation to ORS 100.435(2) in Article X, Section 1 of the Bylaws should really be to ORS 100.435(1).

Article X, Section 2, on owners’ responsibilities, plainly states that “Each owner shall maintain fire insurance...covering his individual unit.” According to ORS 100.435(2), when the Bylaws contain that provision, the Board of Directors is only required to obtain insurance covering the common elements (and is not required to insure the individual units).

This conflict between subsections 1 and 2 of Article X was clearly a mistake in drafting the Bylaws. Therefore, in addition to the adoption of the enclosed resolution, I recommend that Article X, Section 1 of the Bylaws be amended to change the citation to ORS 100.435(2) to ORS 100.435(1). In addition, Article X, Section 2 should be amended to change the provision requiring unit owners to obtain fire insurance covering their individual units (except for the amount of the deductible under the Association’s policy).

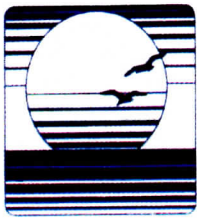
Insurance issues in a condominium are complicated and I expect there to be questions.

Very truly yours,



CLIFFORD G. COLLARD

CGC/ms
Enclosures



**Yaquina Bay Property
Management, Inc.**
146 SE 1st Street
Newport, Oregon 97365
(541) 265-3537 or (800) 895-7170

DATE: October 14, 2015

TO: All Unit Owners at North Shore Terrace Condominium

FROM: Lee Hardy, Yaquina Bay Property Management, Inc.

RE: Changes in HOA Insurance, How the Deductible Will Be Handled

Enclosed are the minutes from the board meeting held on Oct. 10, 2015. During this meeting the directors adopted a resolution that defines how the new HOA insurance coverage will be applied.

Earlier this year the HOA changed insurance carriers and changed the level of coverage provided. The new policy covers the HOA common area and the interior finish of the units. The interior finish of the units had previously been the responsibility of the unit owner.

By statute, associations who opt for "all in" coverage are allowed to decide how the insurance deductible will be handled in the event of an insured loss that affects the interior of one or more units. The current deductible for non-earthquake or non-flood related damage is \$5,000.00. Enclosed for your records is a copy of the resolution that defines how that deductible will be paid. If a unit is damaged, the owner of the unit or units (if more than one is affected) will pay or share the cost of the deductible.

This means that a unit owner no longer has to insure the interior finish of his or her unit. The unit owner will need to continue to purchase liability insurance and coverage for his or her personal property. In addition, the unit owner can purchase insurance to cover the deductible.

The board strongly advises all owners to show the resolution to their insurance agents and modify their insurance as needed to obtain the best deal that is available on their own private coverage. The HOA policies are currently posted on the HOA website, northshoreterrace.com, under "Other Documents". Insurance agents can refer to those policies and to the resolution to make appropriate modifications to the unit owner's insurance policy.