



December 2018 - The Sharper Focus - HOA Board Edition

Thank you for reading our newsletter. The goal of this newsletter is to touch on general industry news and helpful topics that may help you in your role as an HOA board member.

Every Association is different in their type, size, scope, and how things are organized and established via the Governing Documents. There are, however, a number of universal topics common to all Associations. We hope you will find this newsletter a valuable source of information!

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Sharper Offers Board Training Session - January 15th

Sharper Management will present a free Board training seminar on Tuesday, January 15, 6 p.m. at the Bell Plaza office building in Bloomington (3800 American Blvd W). All Board members from community associations managed by Sharper are welcome to attend. "Board Basics: An Orientation for Board Members" will be led by Sharper's two directors of community management, Candy Lee, CMCA, AMS, PCAM and Josh Reams, CMCA, AMS. Topics covered will include:



- * Defining "Association"
- * Roles & Responsibilities of the Board
- * Financial Fundamentals
- * An Overview to Governing Documents & State Statutes
- * How to Run Effective Board Meetings
- * Insurance Basics
- * Property Management Practices

If you are interested in reserving your spot, please email info@sharpermanagement.com

Insurance: So Why Does the

Association Have to File a Claim?

There are few things trickier and more complicated in the operation of a community association than that of insurance. What types of policies must the association have? What is the scope of coverage? How does the "master policy" work with the individual homeowner's policy ("HO6")? There are many components and questions. Perhaps the most seldom understood, and sometimes hotly debated, topic on insurance is when and why the association must file a claim on the master policy.



In scenarios of massive losses like a hail storm, tornado or fire - or in cases where damage is limited to common areas such as a condo building hallway or a party room - it is pretty clear that the master policy should kick in and cover damages. But what about when a townhome wasn't properly winterized and pipes freeze? Or what about the resident on the top floor of the condo building that let the bathtub overflow, flooding the units below, and causing tens of thousands of dollars of damage? Many Boards don't understand why the association's master policy would cover such losses where there is perceived negligence and/or the damage is inside of a unit, and therefore "not the associations responsibility." It's a natural reaction.

While the scope of coverage from association to association will vary, it is pretty common that the governing documents are going to require the master policy covers "the replacement costs of the building AND units." In fact, if the association falls under the Minnesota Common Interest Ownership Act ("MCIOA" or 515B), state statute requires that the master policy covers the "total amount of not less than full insurable replacement cost of the insured property." It goes on to say "in the case of a common interest community that contains units, or structures within units, sharing or having continuous walls, siding or roofs, the insurance maintained under subsections (a) (1) shall include those units, or structures within those units, and the common elements."

What does this language mean? It means coverage is extended far beyond what many might expect the master policy to cover. Unless the association's documents say otherwise, the policy might not cover finishing items such as carpeting, wall paper, or paint; but the subflooring, sheetrock, ceiling, framing, insulation is, in fact, insured by the master policy. Should there be a loss (such as those frozen pipes that burst in a townhome or the units affected in that condo building bathtub overflow) AND THAT LOSS EXCEEDS THE MASTER POLICY DEDUCTIBLE, there IS coverage for that loss.

You may be asking; "Why should the association's policy cover it?" There is a very simple answer. By state statute, the master insurance policy is PRIMARY. 515B states "(4) if at the time of loss under the policy there is other insurance in the name of a unit owner covering the same property covered by the policy, the association's policy is primary insurance." You can read the entire statute on insurance here - <https://www.revisor.mn.gov/statutes/cite/515B.3-113>

The association does not get to decide what is and isn't "coverable." Additionally, the association doesn't get to decide and assign "negligence." If there is a loss and damages exceed the master policy's deductible, a claim should be filed and coverage should be awarded per the governing documents. Insurance agents know the game. If there is a loss, the homeowner's HO6 agent/policy is going to ask the question - how much damage? If more than the deductible, they know the master policy has to kick in and the HO6 will cover the owner's personal property, non-covered items such as finish work like carpet, wallpaper and structural coverage up to the deductible.

What the association does get to decide is how the deductible should be handled. It can be absorbed as a common expense, or, more advisably, can be assessed against the owner(s) responsible or those that are benefiting. However, that's an entirely different newsletter article.

At the end of the day, the role of a master policy to the association, and the fiduciary duty of the Board to the members of the association, is to protect property values. Master insurance policies, state statutes and governing documents put in place comprehensive insurance requirements to ensure that property losses are handled and property conditions restored - thereby maintaining property values.

Matter



In previous issues we've discussed the importance of a strong meeting facilitator; we've suggested agenda formats to create better meeting efficiency; and recently we wrote on the principle that meetings should be regulated to making decisions. There's no denying that we live in a culture of meetings. In this issue's Board Tips, we offer one thought for you to consider regarding meeting frequency, and one tip for you to try to make your meetings more meaningful.

Meeting Frequency - how often are you meeting as an association Board? This will certainly vary. Your Governing Documents may dictate a number of meetings to be held within a calendar year. The size and complexity of your community may require more or less meeting regularity. And situational issues or projects may dictate the volume necessity for a "meeting of the minds." Consider the notion, however, that the more often you meet, the less productive you may be. Fewer meetings force focus - and therefore motivation to have tangible outcomes and measurable initiatives.

Consider evaluating your meeting productivity. If you find that decisions are often times delayed or tabled, if your meetings are more social than business, and certainly if you have a limited number of items on your docket, consider having fewer meetings. See how it goes. The results might surprise you!

Action List - to ensure that the meeting was, in fact, constructive with measurable outcomes, it is helpful to have a summary at the end of the meeting to identify and assign action items. Make a list! These can even be incorporated into the Meeting Minutes if it reflects a new business decision or resolution of the Board. Towards the end of a meeting, it is natural for people to just want to get home. Verbally summarizing and capturing, in writing, all action items is imperative.

Make your meetings matter by ensuring they are productive and with measurable results.

Sharper Holiday Greetings

All of us at Sharper Management would like to take a moment to thank you for a wonderful 2018.

We experienced another incredible year of growth, adding a number of new clients from all over the metro area. We find it a tremendous honor to be entrusted to work with Boards to help manage homeowner associations and make them the best they can be.

To help us provide the services necessary to do so, we continue to add more staff; continuously look for, and implement new ways, to improve our tools and technology; we strive to stay on top of industry trends; and find ways to stay connect to our Minnesota community. All of these things make up our core values and we feel we dove in to each in 2018.

From company growth, staff development, wining industry awards, leadership involvement in industry organizations, community outreach initiatives, and more, you can read all about our fantastic 2018 on our website's News section here - <https://sharpermanagement.com/blog/>

Again, we want to sincerely thank you for making 2018 a remarkable year and we look forward to all that 2019 has to offer. All of us a Sharper wish you and your family a wonderful Holiday Season!



Your Feedback Is Important to Us:

As Board members, we truly value your feedback. If you appreciate the work we do for you and your association, we want to encourage you to take a few

moments and write some positive feedback and comments via an online "review." Among others, Google, Yelp and BBB are common sources of reviews that pop up on search engines. Please help us establish a review log that is reflective of the excellent service we feel we provide!



Additionally, in the coming month, you will receive a survey to help us better understand our performance for you and your association. This is an annual initiative and we use the information to improve our processes and to incorporate the feedback into performance annual employee performance reviews. Please watch for an email and take the time to share your valuable feedback.

Sharper Maintenance



Did you know that Sharper has a maintenance team available to service both Association and homeowner repair / remodel needs? Our team of highly skilled and General Contractor licensed techs are ready to tackle any project including plumbing, electrical, drywall, HVAC, painting, exterior repairs, etc! We feel our maintenance division is a value-add in our management services to your Association!

Contact Matt Froehlich with questions or to schedule. (952) 224-4777 or matt@sharpermanagement.com

Need Help Renting and Managing a Townhome or Condo?



Think Advantage Home

A sister company to Sharper Management, Advantage Home helps homeowners and investors manage their single-family residences.

Since your Association is already affiliated with Sharper Management, renting your home through Advantage would have extra benefits you wouldn't find in another property management company. Those benefits include:

- A thorough understanding of Associations
- Information sharing regarding governing documents, rules, and regulations is efficient between Sharper and Advantage Home - Advantage is literally right down the hall
- The Sharper Management maintenance staff is already familiar with your Association's property
- Our emergency response team is fast and effective

If you or someone you know is interested in renting their townhome or condominium, have them contact jeff@advantagehomemn.com.

Learn more at advantagehomemn.com

