

HEATHER GARDENS BUDGET & FINANCE BUSINESS INSURANCE PROGRAM

Joint Procedure Memorandum JPM B-4

This Heather Gardens Budget & Finance (B&F) Procedures Memorandum (JPM B-4) replaces JPM B-4, last updated in February 2020, and reviewed every three years.

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I. BACKGROUND

The Management Agreement between the Heather Gardens Association (Association) and the Heather Gardens Metropolitan District (District) provides for shared advisory committees to serve both the Association and District Boards. The Heather Gardens Budget and Finance Procedure Memorandum (JPM B-1), approved by the Association and District Boards, authorizes the Budget & Finance Committee as a shared advisory committee based on the Management Agreement. JPM B-1 defines the Insurance Program and the Insurance Subcommittee. It authorizes the Insurance Subcommittee to assist the B&F Committee in performing its functions. This Heather Gardens Procedure Memorandum (JPM B-4) defines the composition and functions of the Insurance Subcommittee.

The Insurance Subcommittee is composed of three members of the B&F Committee and a maximum of four (4) residents of Heather Gardens, preferably with experience in property, casualty, and business insurance or general business background. The Association and District Treasurers appoint the Chair of the Insurance Subcommittee.

II. BUSINESS INSURANCE PROCESS

A. Annually, Management and the Insurance Subcommittee will review the Loss Summary Report prepared by the insurance broker to determine what changes in coverage, property maintenance, or procedure might be required to minimize loss. The Insurance Subcommittee will make appropriate recommendations to Management and to the Boards of Directors for action through the Budget & Finance Committee.

B. Every three years, or more frequently, if needed, the Insurance Subcommittee and Management will make a determination of whether to put the contract for insurance brokerage service out for bid. Management will seek bids per the responsibilities outlined in Section III. A. and bring them to the Insurance Subcommittee for review and recommendation to the Budget & Finance Committee per the responsibilities outlined in Section III. B.

C. Annually, each summer for the Association and each fall for the District, the Insurance Subcommittee and Management will meet with the broker to review proposals received for business insurance coverage from qualified, rated insurance companies for the coming fiscal year. The Subcommittee will consider coverage levels, deductibles, and overall cost in developing its recommendation to the Budget & Finance Committee.

(See Appendix I and II for currently required insurance coverage for the Association and District, respectively.)

D. The Insurance Subcommittee will make its recommendations on insurance coverage for the coming year to the Budget & Finance Committee, and the Committee will, in turn, make a final recommendation to the Association Board for October renewal. The Insurance Subcommittee will take the same action for the Metro District Board for approval by the District Board for renewal in January.

E. Promptly following the decisions by the Association and District Boards, Management will notify each of the broker-agents submitting bids of the decisions.

F. The broker will provide certificates of insurance to each mortgage holder, Management, and other insurable parties, as necessary, before the policy expiration date. Management will post certificates of insurance on the HG website and provide copies to unit owners as requested.

III. RESPONSIBILITIES

A. MANAGEMENT

1. Determines, after consulting with the Insurance Subcommittee in January every three years or more often if required, if the Insurance Subcommittee will solicit bids from insurance Brokers.
2. If soliciting bids from insurance brokers, Management:
 - a. Meets with the Insurance Subcommittee to review broker requirements and determine which brokers will be asked to submit a bid proposal.
 - b. Prepares a bid package containing the broker requirements for each broker from whom a bid is requested.
 - c. Distributes sets of the specifications to each member of the Subcommittee.
 - d. Prepares a bid proposal comparison report and a recommendation to the Insurance Subcommittee.
 - e. Schedules interviews with the insurance broker candidates and the Insurance Subcommittee.
3. Schedules any necessary meetings, prepares requested paperwork for the current broker's review, and accompanies the broker during requested

inspections of the property to enable the broker to request bids from appropriate insurance companies.

4. Meets with the Insurance Subcommittee and the current broker to review renewal coverages and costs prior to the B&F meeting for the Association and prior to the B&F meeting for the District.
5. Monitors the adequacy of customer service provided by the broker and adequacy of insurance coverage as information for the upcoming renewal process.
6. Administers the insurance program. Provides access to certificates of insurance to property owners and mortgage holders as requested.
7. Handles any and all insurance claims as necessary.

B. INSURANCE SUBCOMMITTEE

The Insurance Subcommittee shall perform the following duties:


1. January of each year or more often if appropriate, to determine whether to seek a new insurance broker based upon the current broker's performance. If bid proposals are recommended, such bid proposals are to be received no later than April 1 prior to the October 1 renewal for the Association.
2. Meet with Management to review the broker comparison report, interview potential brokers, and determine which broker to recommend and how much they will be compensated.
3. Review exposures to loss and all existing insurance coverage of the Association and the District based on data provided by the broker.
4. Meet with the broker's representative 45 days or more prior to the October 1 renewal date for the Association and 45 days or more prior to the January renewal date for the District to review the bids received by the broker from insurance companies for each type of business insurance.
 - a. The insurance companies recommended should meet the Association Declarations and the District requirements of a policyholder's rating of "A" or better, and a financial responsibility rating of "XIV" or better, or current A.M. Best equivalent ratings.
 - b. Cost is not the only factor to be considered. The amount and type of coverage to be provided by the insurance company and the financial

stability and reputation of each insurance company should also be considered.

- 5. Present its recommendations to the B&F Committee related to the Association property insurance at its September meeting and the District property insurance at its December meeting.

The Heather Gardens Association

The Heather Gardens Metropolitan District

By: 
 Jill Bacon, President

By: 
 David Funk, President

This Joint Budget and Finance Procedure Memorandum Regarding the Business Insurance Program was adopted by the Association Board of Directors on the 19 day of July 2022, effective on the 19 day of July 2022 and is attested to by the Secretary of The Heather Gardens Association. This was also adopted by the Metropolitan District Board of Directors on the 21 day of July 2022, effective on the 19 of July 2022, and is attested to by the Secretary of The Heather Gardens Metropolitan District.

By: 
 David Baxter, Secretary

By: 
 William Archambault, Secretary/Treasurer

ATTACHMENT 1: Current Coverage Requirements: Heather Gardens Association

A. Property Insurance

1. Building – Replacement costs, Special Form
2. Contents – Business personal property
3. Business income
4. Signs, Fences, and EDP
5. Extra Expense
6. Earth Movement
7. Flood

B. Terrorism -- Standalone

1. Acts of Terrorism/Sabotage
2. Service Interruption – Off

C. Crime (including Excess Crime coverage)

1. Employee dishonesty
2. Employee Retirement Income Security Act (ERISA) (e.g., employee 401K program)
3. Forgery or Alteration
4. Money & Securities
5. Computer Fraud
6. Funds Transfer Fraud
7. Claims Expense

D. General Liability

1. Individual occurrence and aggregate coverage
2. Personal and advertising injury
3. Damage to rented premises
4. Medical expense
5. Sexual abuse or molestation
6. Employee benefits liability

E. General Liability – Security Guards (including additional umbrella coverage)

1. Both occurrence and aggregate limits
2. Products/completed operations
3. Personal injury and advertising injury
4. Damage to rented premises
5. Professional liability
6. Sexual abuse and/or misconduct

F. Business Automobile

1. Bodily injury and property damage
2. Medical payments
3. Uninsured/underinsured motorists
4. Comprehensive and physical damage
5. Hired auto physical damage

G. Umbrella (General Liability) Insurance

1. Includes coverage over general liability, employee benefits, automobile, employers, and directors' and officers' liability

H. Directors and Officers/EPLI/Fiduciary Liability

1. Aggregate liability for all coverages and individual liability for each coverage
2. Self-insured retention amount on fiduciary liability
3. Defense costs included in the total liability amount

I. Professional Liability

1. Required coverage for HOA management license

J. Cyber Liability

1. Multimedia, network security, privacy liability
2. Privacy regulatory defense and penalties
3. Breach event costs
4. Brand and trademark protection
5. Network asset protection
6. Cyber extortion and crime
7. PCI DSS Liability
8. TCPA Defense coverage
9. Court attendance, reward expenses, claims expense
10. Dependent business interruption

ATTACHMENT 2: Current Coverage Requirements: Heather Gardens Metropolitan District

Note: All insurance, with the exception of Pollution—Storage Tanks coverage, is currently provided by the Colorado Special Districts Property and Liability Pool, which offers coverage at a lower rate and offers discounts to special district organizations.

- A. Property Insurance
- B. Equipment Breakdown
- C. Crime Insurance
- D. General Liability Insurance
- E. Public Officials Liability
- F. Automobile Insurance (hired and non-owned)
- G. Workers Compensation Insurance
 - 1. Provided for Directors only because of the reduction in rates for other coverages if purchased.
- H. Umbrella Liability
- I. Pollution – Storage Tanks, including terrorism