

# **Bella Vita at Green Tea Association, Inc.**

## **Summary of Business Insurance**

Bella Vita Steering Committee,

Elizabeth Woods ask me to review the attached "Summary" of the Business Insurance "Package" provided to her by AMI for 2010. This summary document is not a copy of the insurance policies. The summary was prepared to provide a general review of the insurance provided by the agent listed below:

**Mickey Youngblood, Brady, Chapman, Holland & Associates, Inc.**  
2190 North Loop West, Suite 200  
Houston, Texas 77018, phone (713) 688-1500

1. The first item of note is that the business insurance discussed in this "package" appears to have been bound as of December 1, 2009, with no expiration date shown. Normally, business insurance is bound for a period of one year, but the insurance summary indicates that this insurance coverage would terminate within 30 days if either Bella Vita at Green Tea Association, Inc. or Association Management, Inc. (AMI) terminate the management contract we have with AMI.
2. This document includes several types of insurance coverage, the first being Commercial Property Insurance. Last year this policy was written by Travelers Lloyds Insurance Company providing \$2,200,000 in coverage for buildings and \$275,000 for the personal property of the Association. This summary document does not list the property insured, but it should include the Club House and the Gate House. The summary does list several limitation of coverage such as \$100,000 for Sewer/Drain which back up through plumbing and damage the property. There is also a limitation of \$100,000 coverage for property of others, as well as valuable papers and accounts receivable. Flood insurance is not part of this insurance "package." This insurance coverage is provided by Central Mutual Insurance Company (A.M. Best rating 12/01/09 as A+IX)
3. There are several exclusions to this policy including NO Mold coverage, no Flood coverage, no coverage for Poisonous Biological or Chemical Materials, and No electronic vandalism coverage. There are also several deductibles including \$1,000 per loss, except for windstorm or hail which is a minimum of \$5,000 deductible or 1% of the property value per loss, which ever is larger. When I talked with Mickey Youngblood he indicated that the deductible clause was different from the above description. The summary also indicates that the policy has other exclusions.
4. What is called Boiler & Machinery insurance was included as an endorsement to this policy last year, but this endorsement is not listed on the summary this year. This type of insurance lists specific limits of coverage for each type of machinery in the Club House like the air conditioning.
5. The next major type of insurance provided by this package is General Liability Insurance, which covers Bella Vita at Green Tee Association, Inc. for a life time amount of \$2,000,000 (called aggregate coverage). There is a limit of \$1,000,000 liability coverage per occurrence, with an additional limit of \$300,000 for any liability that might result by fire. This coverage does include coverage for hired or non-owned automobile liability resulting in bodily injury or property damage. If we, the home owners, have any coverage under this package, it would be under this policy provided by Central Mutual Insurance Company (A. M. Best rated A+IX). However, I see nothing to indicate that a homeowner has any protection under any of these policies, with the exception of our members of the Board when performing their duties as a board member.

6. All the above coverages were all provided for a premium of \$19,575.00 compared to \$17,281.00 for last year.
7. Another type of commercial liability insurance provided in this package is called Directors and Officers Liability insurance. This coverage provides \$1,000,000 liability insurance for the insured directors or officers of Bella Vita at Green Tea Association, Inc. for damages related to wrongful acts made while acting in their individual or collective capacities as directors or officers of the Association. There is a \$2,500 deductible per occurrence and a claim must be made while the policy is in affect (called a Claim's Made provision). This coverage is provided by Travelers Casualty and Surety Company of America (A.M. Best rating A+XV). The premium for this coverage is shown as \$3,252.00 as compared to \$2,256.00 for last year.
8. A Workers Compensation policy is included in this package and provides up to \$1,000,000 for compensation mandated by the State of Texas because of bodily injury of an employee of Bella Vita at Green Tea Association, Inc. while they are on the job. The premium for this type of coverage is based on payroll amounts, and the insurance company, Texas Mutual Insurance Company (A.M. Best Not Rated) will audit the payroll records and adjust the premium based on the law. The base premium this year is \$1,450.00 as compared to \$1,635.00 last year, but these figures may be increased after the audit conducted after the policy expired in 2009.
9. The insurance package also includes Employee Dishonesty coverage, which provides \$200,000 coverage to the Association with a deductible of \$1,000 per occurrence for the dishonest acts of an employee. The summary states that there are endorsements which will include non-compensated officers as employees of the Association. An endorsement apparently also includes AMI as employees of the Association. This coverage is provided by Travelers Casualty and Surety Company of America (A.M. Best rating A+ XV) at a premium cost of \$489.00 as compared to \$512.00 last year.
10. The last coverage provided by this package is a Commercial Umbrella policy which provides \$50,000,000 coverage in addition to what is called the underlying insurance (the General Liability insurance mentioned above) with a retention of \$10,000 per occurrence. This is a form of liability insurance and an example would be an auto accident caused by an employee of Bella Vita at Green Tea Association, Inc. which cause death, and resulted in a court mandated liability claim of \$50,000,000.00. The General Liability policy discussed as Item 5 above would pay the first \$1,000,000 and the Association would pay the \$10,000 retention (required by State Law) and then the Commercial Umbrella policy would pay the remaining \$48,990,000.00 of the claim. This coverage is provided by a group of three insurance companies; Catlin Insurance Company (UK), Lexington Insurance Company and Allied World National Assurance Company at a cost of \$761.00 as compared to \$1,750.00 last year. We as homeowners can endorse our personal homeowner's policy to pay our portion of the \$10,000 retention and any excess liability that might exceed the \$50,000,000 commercial umbrella limits.

I hope this will be helpful in understanding the differences in our insurance coverage from last year. I will give you a more in depth analysis after reviewing the actual insurance policies.

Respectfully Submitted,

Tom Green  
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