

# RACQUET CLUB OWNERS ASSOCIATION

## INSURANCE GUIDELINES

Adopted April 28, 2007

### 1. ASSOCIATION'S DUTY TO INSURE.

The Association has the duty to maintain, at all times, insurance policies which satisfy the requirements set forth in the Declaration. In performing its duty, the Association expects to obtain and maintain policies (if reasonably available) that provide the following coverage:

- Property or Casualty Insurance. Property or casualty insurance for the replacement value of the Units, as originally constructed, and for the Common Elements, including improvements to the Common Elements. Improvements, upgrades made by the developer's general contractor, prior Owners or others on behalf of the Owner, decorating, furniture, furnishings, appliances, or other personal property belonging to Owners are excluded and not covered by the Association. The policies to be obtained and maintained by the Association are to cover cabinets, countertops, permanently attached floor coverings, interior walls, plumbing fixtures and light fixtures as originally installed by the Declarant or intended to be installed by Declarant prior to any requested upgrades. The Association's property insurance policy does not cover any of an Owner's personal property in their Unit.
- General Liability. Commercial general public liability and property damage insurance against claims for bodily injury or death or property damage occurring upon or in the Common Elements. The Association's liability coverage does not extend to claims within the boundaries of the Units. Owners are encouraged to obtain sufficient liability insurance coverage for occurrences on their Units.
- Other Policies. Such other policies as the Board of Directors of the Association determines.

### 2. OWNER'S RESPONSIBILITY TO INSURE.

Each Owner is encouraged by the Association to maintain, at all times, the following:

- Unit Owner Property or Casualty Insurance. Such insurance should provide complete comprehensive contents coverage, including furnishings, personal property, upgrades or additions to fixtures, appliances, wall, floor and ceiling materials other than original construction
- Liability insurance. Such insurance should provide coverage against claims for bodily injury or death or property damage occurring upon, in or originating in the Unit.

- Deductibles of the Association. Each Owner is also encouraged to obtain personal insurance coverage which may pay the Owner's portion of the Association's deductible amount in the event of a claim.

**If an Owner lives in the Unit.** The Owner should obtain an HO-6 policy. The Association has been advised that HO-6 policies generally include the following five basic coverages: dwelling coverage, personal property coverage, liability coverage, loss assessment and loss of use. Dwelling coverage should include the amount of improvements/upgrades made and all items specified in the Declaration as the Owner's responsibility. Personal property coverage should include all furnishings and clothing. Liability coverage includes anything that happens within the Unit. Loss assessment coverage is recommended to cover the difference between the Owner's personal deductible and the Association's deductible allocated to the Owner. Loss assessment coverage may also pay for any special assessments levied by the Association to pay for deductibles allocated to the Association. The Association has been advised that dwelling coverage may also cover property losses below the Association's deductible that may be above the Owner's personal deductible.

**If the Owner has their Unit in the Association Lodging Program, or leases the Unit on their own.** The Unit should be covered by a rental policy (landlord's policy). This policy should offer dwelling coverage, personal property coverage, liability coverage and loss of rents if the property must be vacated while being repaired/rebuilt. Many landlords' policies also include loss assessment coverage. The Association has Lodging Rules and Regulations that specify the extent of insurance each Owner of a Unit in the Association's Lodging Program is to maintain.

**Recommended Consultation by Owners with their own Insurance Agent.** The Association recommends that each Owner consult with the Owner's insurance representative to ensure that the Owner has adequate insurance coverage to address his/her needs and ensure that gaps between the Association's policies and the Owner's policies are minimized.

### 3. CLAIMS ON BEHALF OF THE ASSOCIATION.

The following procedures should be followed by the Association (acting through management or the Board of Directors):

- The Association may notify its insurance carrier of the occurrence and determine whether to submit a claim under its policies by balancing the benefits conferred to the Association under the policy with the costs associated with the claim to the Association.
- In the event that the Association determines that it is in the best interests of the Association to submit a claim under its insurance policies; the Association shall follow the procedures set out in the policies describing the insured's duties in the event of an occurrence, claim, or suit.
- In the event that the Association determines that it is not in the best interests of the Association to submit a claim under its insurance policies, the Association shall still be obligated to complete repair of the damages as if a claim had been made. The

Owner will remain responsible for the amount of the deductible as provided in these Guidelines, even if the Association performs the repair of the damages without submitting a claim.

4. CLAIMS ON BEHALF OF AN OWNER.

If an occurrence is made known to an Owner that results in damages or injury to an Owner or a Unit which may come within the Association's coverage as required in the Declaration, the following procedures shall be followed by the Owner:

- The Owner(s) shall promptly notify his or her personal carrier of the damage and follow the procedures set out in the Owner's policy describing the insured's duties in the event of an occurrence, claim, or suit.
- In the event the damage the Owner has sustained may come within the coverage required of the Association under the Declaration, the Owner shall promptly notify the Association of the damage by providing written notice to the Association setting forth the following:
  - a) Owner's home address and phone number;
  - b) The time, place and circumstances of the event;
  - c) Identification of damaged property; and
  - d) In the event of a liability claim, the names and addresses of the injured, and of any witnesses.
- The Owner shall give the Association a reasonable opportunity to inspect the damage, if requested.
- Within 15 days, the Association shall seek to determine whether the occurrence or claim consists of damages for which the Owner or the Association is responsible for insuring under the Declaration. The Association shall so notify the Owner.
- If the Association determines that the occurrence or claim consists of damages for which the Association is responsible for insuring, the Association shall follow the procedures set out above.

5. RESPONSIBILITY FOR PAYMENT OF DEDUCTIBLES AND OTHER AMOUNTS.

The deductible on the Association's property insurance policy is currently \$10,000. The trend in the insurance industry and many similar condominium communities is towards higher deductibles. Whether the Association, in its discretion, chooses to submit a claim under the Association's insurance policy or not, the payment of the deductible amount for claims that the Association is responsible for insuring, shall be as follows:

- Common Elements. The Association shall pay or absorb the deductible for any work, repairs or reconstruction for damage to Common Elements or for damages to Units that would be the maintenance responsibility of the Association in the absence of

insurance. However, if the damage is caused by the negligent or willful act or omission of an Owner, his family, guests, or invitees, the Association shall seek reimbursement of the deductible amount from such Owner as an assessment. In that event, the Association may also seek reimbursement of any such damages which are not recovered from insurance proceeds, including not only the deductible amounts under the Association's insurance policies, but any amount of such damages not otherwise recovered and for which the Association may be held responsible under its governing documents. Such amounts may be collected in the same manner as assessments.

- Units.
  - (a) The Association shall pay or absorb the deductible for any work, repairs, reconstruction or replacement for damage to a Unit for repairs that would be the Association's maintenance responsibility. However, if the loss or damage is caused by the negligent or willful act of an Owner, in which case the negligent Owner shall be responsible for the deductible and any amount of such damages not otherwise recovered and for which the Association may be held responsible under its governing documents. Such amounts may be collected in the same manner as assessments.
  - (b) The Owner shall pay or absorb the deductible for any work, repairs, reconstruction or replacement for damage to a Unit that would be the Owner's maintenance responsibility. However, if the loss or damage was caused by the negligent or willful act or omission of another Owner, in which case, the negligent Owner shall be responsible for the deductible of the damaged Owner, which the damaged Owner may collect from the negligent Owner.
- Multiple Units or Unit and Common Elements. If a claim covers damage to more than one Unit or to portions of the Unit that are the maintenance responsibility of both the Owner and the Association, the deductible shall be allocated between Owners or between the Association and the Owner(s) in the same proportion as that portion of the claim which would be their maintenance responsibility. However, if the loss is caused by the negligent or willful act or omission of the Association or another Owner, in which case, the negligent party shall be responsible for the deductible.
- Association Assistance on Owner to Owner Deductible Claims. If a negligent Owner fails to pay the deductible for damage to another Unit that the Owner is obligated to pay, the Association may, but shall not be obligated to, seek the deductible on behalf of the Owner suffering the loss as an assessment to be collected as provided for in the Declaration.
- Personal Property Exclusions. In the absence of Association negligence, the Association and/or its insurance company will not be responsible for damage to personal property of Owners or tenants or for their deductibles for personal property coverage, regardless of where the loss originates.