

MEADOW CREEK CONDOMINIUMS

September 22, 2008

The following is an outline of the insurance coverages that a unit owner needs in addition to the insurance coverages provided through the Association.

Resident Owner

1. **Condominium Declaration.** The Declaration is the basic governing document of the Association. One of the issues covered by the Declaration is insurance. Under Section L. Required Insurance, the Declaration states in part: "Each unit owner should carry insurance for his own benefit insuring his personal liability, and his carpeting, wallcovering, fixtures, furniture, furnishings and other personal property, and fixtures and other property supplied or installed by him or a previous owner or tenant . . ."
2. **Property Insurance.** Property insurance is needed to cover the cost of the unit components, which are the responsibility of unit owner (see Section 1. above), and any improvements, which are made to a unit. Regarding improvements, if there is damage to the unit, the Association will only replace components and finishes to the standard that is normal for Meadow Creek.

For example, the normal floor covering for a kitchen is sheet vinyl. However, parquet flooring may have been installed. If the flooring is damaged, and the Association is responsible for covering the cost of replacing it, the Association will only pay for the cost of new vinyl flooring. Additional insurance is needed to cover the difference in cost between sheet vinyl and parquet.

3. **Personal Property.** The Association is not liable for personal property. Any damage to, or destruction of, personal property needs to be covered by additional insurance.
4. **Insurance for Loss of Use.** This coverage is also not provided by the Association. If you cannot live in your unit because of a fire, for example, you need coverage which will pay your costs for living elsewhere.
5. **Liability Insurance.** Additional insurance is needed for any situation where the unit owner is held responsible for property damage or personal injury rather than the Association or another party.
6. **Insurance Deductible.** The Association's property insurance policy has a \$5,000 deductible. If, for example, a fire starts in a unit, and the unit owner is held responsible, it will be the responsibility of the unit owner to pay the \$5,000 deductible. The unit owner needs additional insurance to cover this possibility.

For a resident owner, an insurance policy referred to as a form "HO6" should provide all of these coverages. However, the owner should make sure that their policy does provide coverage in case they are held responsible for the \$5,000 deductible. Not all HO6 policies do anymore.

Investor Owner

1. **Condominium Declaration.** The insurance provisions of the Declaration apply to an investor owner in the same way that they apply to a resident owner.
2. **Property Insurance.** The same additional insurance is needed as in the case of a resident owner.
3. **Personal Property.** Renters should be strongly encouraged to purchase renter's insurance to cover their personal property. The Association is not responsible for any personal property.
4. **Loss of Rents.** If a rental unit is destroyed by fire, loss-of-rents coverage is needed to make up for the rent that will be lost until the unit is restored. Renters should also be strongly encouraged to purchase renter's insurance which provides loss of use coverage. If the rental unit is destroyed by fire, neither the investor owner nor the Association is liable for the cost of alternative housing for the renter.
5. **Liability Insurance.** As in the case of a resident owner, additional insurance is needed for any situation where the unit owner is held responsible for property damage or personal injury rather than the Association or another party. Renters also need liability insurance, which is normally included in a renter's insurance policy.
6. **Insurance Deductible.** As noted above under **Resident Owner**, the Association's property insurance policy has a \$5,000 deductible. As in the case of a resident owner, if a fire starts in a unit, and the investor owner and/or the investor owner's renter is held responsible, it will be the responsibility of the owner to pay the \$5,000 deductible. The owner needs additional insurance to cover this possibility.

An investor owner should consult with his/her insurance provider to determine how best to obtain these additional insurance coverages.