

Lindsay Insurance Group, Inc.

September 1, 2010

Re: The Association Master Insurance Policy and your Unit Owners Policy

PROVIDE A COPY OF THIS LETTER TO YOUR HOMEOWNERS INSURANCE AGENT

Dear Hopkinson House Owners and Residents:

The Hopkinson House Owners' Association has purchased insurance through Lindsay Insurance Group, Inc. This provides coverage for the building and the Association liability. However, since the building coverage is limited under the Association policy, each unit owner should have a Unit Owners (HO-6) insurance policy to cover their unit and their liability. Following is a description of what is covered by the Association policy and what should be covered by your HO-6 insurance policy.

Association Master Insurance Policy:

The Association master insurance policy provides property coverage for the building on a guaranteed replacement cost basis with a "special" cause-of-loss coverage form. The Association property policy has a \$10,000 per occurrence property deductible for all covered claims except for ice damming claims, which is a \$10,000 per unit deductible. The Association master policy will not respond with coverage until the damage exceeds the deductible. Each unit owner is responsible for this deductible, (discussed under Unit Owners, HO-6 section).

The Hopkinson House Owners' Association Council has approved the following rule pertaining to the insurance deductible:

Failure of a Building Component or Staff Error

The Association will bear the responsibility for the deductible if the insurance loss results from a building component or staff error made while working for the Association.

Insurance Loss Attributable to a Unit Component or Resident

The insurance deductible will be assessed to the Unit Owner(s) responsible for damage to any component of the building common area or units, whether deliberate or accidental. The deductible may be charged to the Unit Owner or Owners involved in the damage. Unit components are defined in the Declaration of Condominium II. Definitions 2.01 "Apartment".

The building coverage of the master insurance policy includes coverage for originally installed fixtures and equipment in the units. This includes: drywall, paint, carpets, flooring, cabinets, etc., but only those items that were originally installed by the builder (builder grade items). All upgrades and improvements & betterments are the unit owner's responsibility, (discussed under Unit Owners, HO-6 section).

Liability coverage for the Association common areas is also provided by the Association master insurance policy with a limit of: \$1,000,000 per occurrence. Because this coverage only applies to the Association common area, each unit owner needs to have their own liability coverage, (discussed under Unit Owners, HO-6 section).

Unit Owners, (HO-6), Insurance Policy:

Each unit owner should purchase a Condominium Unit Owners Policy (HO-6 Policy). This policy provides coverage for the building, your own personal contents, liability, and loss of use.

The Association policy only provides coverage for damage to the building and unit that is in excess of the Association property deductible. Therefore, each unit owner needs to have enough building coverage on their own HO-6 insurance policy to cover at least \$10,000 of damage to their building / unit. In addition, each unit owner should have coverage for upgrades and improvements & betterments made to their unit.

We strongly recommend that your HO-6 agent provides you with a written letter stating that your HO-6 policy will cover the first \$10,000 of building damage that is attributable to the damage that is less than the \$10,000 Master Insurance Policy deductible.

Sewer backup coverage should also be requested.

Unit owners should also ask that the HO-32 endorsement or similar endorsement be added to your policy. This will provide coverage on a "special cause of loss" coverage form for your Improvements and Betterments.

This is extremely important since the Condominium policy covers only the **originally** installed fixtures, countertops, tile, appliances, flooring, cabinets, drywall, etc. This is what is covered by your Condominium policy and the Insurance Company will replace damage property to the original specifications of the Unit.

Here are some examples of situations that emphasize the importance of covering your improvements and betterments under your Homeowners policy:

Unit owner upgrades flooring to carpet over the original hardwood flooring. The carpet is an improvement and betterment but the hardwood flooring is the originally installed flooring. A water damage loss occurs and causes damage to the carpet but not to the hardwood flooring. There would be no coverage for the carpet since it is an upgrade to the unit.

Unit owner installs wallpaper over the painted drywall within the unit, which is an upgrade to the unit. In the event of water damage to the drywall and wallpaper, the wallpaper would not be covered since it is an improvement to the unit. The Unit Owner is responsible for the first \$10,000 of damage to the drywall and the Association's insurance policy will only pay for the damages if the loss exceeds \$10,000 in damage; however, the wallpaper is the Unit Owner's responsibility as it is an improvement and betterment.

If a Unit Owner is aware of any upgrade that was made to their unit, you should contact your Homeowner Agent to determine the correct value of those upgrades so it can be properly insured under your Homeowner's policy. Remember, your Association's Condominium policy will only replace covered damaged property to the original specifications of the unit under the \$10,000 deductible if met.

Personal liability coverage is also included in your HO-6 policy. You should make sure that this includes personal injury as well as bodily injury and property damage. The limit of liability coverage and a possible umbrella liability policy should be discussed with your agent.

Other coverages that you should review with your HO-6 agent include: loss of use, which provides coverage if you can not live in your unit after a covered loss, and loss assessment.

Unit owners that rent out their unit still need to have property and liability coverage for their unit. Property coverage to cover the building items mentioned above along with coverage for any contents you may have in the unit. This coverage can be obtained by purchasing a fire policy. Liability coverage can be extended from your Homeowners insurance policy by adding this unit location to your Homeowners policy. You also need to consider loss of rents coverage in the event the unit is not habitable after a covered loss and loss assessment coverage.

Unit owners that rent out their unit should also require that their tenants purchase a Tenants Policy, (HO-4) to cover their contents, liability and loss of use. The unit owner should be named as landlord, (additional insured), on the tenant's policy. This will help protect the unit owner as landlord in the event the tenant is the cause of a loss.

This is a brief insurance description of coverage provided by the master insurance policy and coverage that should be reviewed by unit owners with their condominium unit owners policy, (HO-6), insurance agent. This is not intended as a substitute of the actual terms and conditions of the master insurance policy. You must refer to the actual policy(s) for the specific terms and conditions. Since every HO-6 company is different, you must discuss your insurance situation with your particular agent.

Best regards,

Lindsay Insurance Group, Inc.

September 1, 2009

Hopkinson House Owners' Association

**Requests - Certificates of Insurance
Unit Owners, Mortgagee and Lenders**

In addition to the attached advice for your Unit Owners as respects an overview of the Association's Master Policy coverage and deductibles, we offer the following suggestions as respects requests for certificates for Unit Owners and their Lenders.

All requests for certificate of insurance evidencing the Master Condominium coverage should be requested directly from the Lender to our office **Via telefax @ 215-540-5444.**

Using this method allows us to gather the all necessary information required in order to issue to the certificate and expedite quickly. Certificates are usually issued the same day as received and always within 24 hours depending on the receipt of full and accurate information as well as the time of day we receive the order.

Telephone instructions are available by calling our agency 215-540-2400 - Option 3. Our business hours are 8:30 a.m. to 5:00 p.m.

Please visit our website @ **www.lindsayinsurance.com** for further information on issuing certificates of insurance in behalf of Unit Owners. Lenders can easily expedite their requests electronically from this site.

I hope you find this information helpful.