

NORTHWOODS CONDOMINIUM ASSOCIATION

Policy Statement for Unit Insurance, Maintenance and Repair Obligations

As a unit owner and member of the Northwoods Condominium Association (“NCA” or the “association”), you have an obligation to maintain and repair your unit and keep it in good condition. You also have an obligation to purchase insurance coverage for your unit.

This policy statement explains your insurance, maintenance and repair obligations for your unit. It also provides helpful information about obtaining the proper insurance coverage.

Insurance Coverage

A condominium unit owner insurance policy is not the same thing as the association’s master policy of insurance. The master policy carried by the association insures the basic building structures, but it leaves you with the responsibility of insuring the interior portions of your unit. You must obtain a separate unit owner policy from your insurance agent in order to cover the interior portions of your unit as well as your personal property, appliances, furnishings and fixtures within the unit. This type of policy will also cover property damage to the upgrades in your unit. This policy is known in the insurance trade as a condominium unit owner Form HO-6 policy.

Your unit is considered to have been upgraded to the extent that any fixtures, appliances, decorative items, carpet, wall coverings or other interior improvements exceed the original finish level in your unit. Keep in mind that the original finish levels are determined as of the completion and original sales date for units in the various buildings. These approximate dates are as follows:

BUILDING	APPROXIMATE SALES DATE
Building A	12/23/1975
Building B	3/14/1979
Building D	2/14/1977
Building E	12/05/1977
Building F	12/10/1979

According to the association’s insurance agent, it is very difficult for an insurance adjuster to arrive at a precise amount that the association’s master policy will pay for interior damage to your unit. The adjuster would attempt to locate photographs or other evidence that depict the original condition of your unit when it was first purchased. The problem, however, is that this type of evidence seldom exists. Therefore, it is customary for the adjuster to assume that the finish levels in the original unit were modest in nature, and the amount of the insurance recovery would be limited to those modest replacement costs. This would mean, for example, that if a fire or other loss required the interior portions of your unit to be replaced or reconstructed, the association’s policy

might pay only for basic drywall and paint, inexpensive carpet or other floor coverings, very basic window treatments and so forth. Obviously, the difference between what the association's policy will pay and the cost of refurbishing your unit to its current upgraded level could amount to a dramatic difference in price. This is why you must discuss the issue with your own insurance agent and make sure that your unit owner's policy will cover all of the expense of replacing and re-constructing the upgraded fixtures, elements and features in your unit to their current level. The additional premium for this type of coverage is not expensive, and it is always better to overestimate the replacement costs than to under estimate them.

In addition to covering personal possessions and furnishings in your unit, your individual unit owner policy will also provide liability protection. This is an essential element, because liability coverage protects you from claims that are asserted against you or members of your family dealing with bodily injury, property damage or wrongful acts.

Maintenance and Repair

In addition to your obligation to purchase unit owner insurance coverage, you also have an obligation to maintain and repair your unit and keep it in good condition. This is a very basic requirement contained in the association's declaration and in its bylaws. The extent of this obligation is specified in the bylaws as follows:

Maintenance and Repair. Every Owner shall perform or cause to be performed at his own expense all maintenance and repair work within his own Unit necessary to maintain the Unit in a good and habitable state of repair. All repairs of internal installations in a Unit such as water, light, gas, power, sewage, telephones, air conditioners, sanitary installations, doors, windows, electrical fixtures and all other accessories, equipment and fixtures belonging to an apartment Unit shall be at the Owner's expense. Each Owner shall reimburse the Association promptly upon receipt of its statement for any expenditure incurred by it in repairing or replacing any general or limited common element damaged by the negligence or unintentional acts of such Owner or his tenants or guests.

The association's declaration and the Colorado Common Interest Ownership Act (CCIOA) hold unit owners responsible for damage or loss to property of the association or another unit owner in circumstances where the damage or loss is caused by negligent conduct in the unit or failure to properly maintain and repair the unit. This means that if you directly or indirectly cause damage to the property of the association or another unit owner in these circumstances, you are responsible for the damage. This rule is absolutely clear. For example, if a plumbing leak in a second floor unit results in water damage to the first floor unit beneath it, the second floor unit owner is responsible if it can be shown that the second floor unit owner failed to properly maintain and repair the plumbing pipes in his unit or permitted some other condition to occur that caused the leak.

Illustrative Materials

The insurance and responsibility requirements are sometimes confusing. In an effort to help unit owners better understand this area, the NCA board of directors has adopted and approved this policy statement. The board has also approved the two charts that are attached to this policy statement. These materials will help you in deciding upon the extent of the insurance coverage you purchase. You will also find helpful information in this policy statement and the charts explaining your maintenance and repair obligations and how these responsibilities dovetail with the Association's obligation to maintain and repair the structural elements of the buildings and the common areas.

You should keep a copy of this policy statement with your other records. You should also send or show a copy of this policy statement to your insurance agent. In order to be certain that you have adequate insurance coverage, your agent will need to see this policy statement and understand the relationship between the Association's property and liability insurance coverage and the remaining risks that must be covered under your unit owner's policy. Your agent will understand that this policy statement reflects the requirements of the Association's governing documents and applicable state law concerning insurance and maintenance/repair issues.

If you have any questions about the material in this policy statement, please contact the NCA managers. They will be able to answer your questions and also refer you to a reputable insurance agent.

Maintenance and Repair – Whose Job is It?

The NCA board believes that the information reflected in Chart A attached to this policy statement accurately reflects the relative obligations of the association and unit owners within the NCA community. This chart is intended to apply to a wide variety of situations and factual circumstances. However, unusual fact patterns may require solutions that fall outside the parameters of this chart. In those instances, the board will reach a decision by applying the logic of the principles and rules established in this chart.

Insurance – Who Must Insure?

The association insures all of the buildings and other common area improvements under a single package policy. This is commonly called an association master policy.

In accordance with the guidelines in the NCA governing documents, the master policy insures the basic building structures such as the walls, roof, floors, elevators, etc. However, the master policy leaves to you the responsibility of insuring the interior portions of your unit such as appliances, carpeting, cabinets, wall coverings, paint, and all interior upgrades and improvements. This is why you must purchase a unit owners policy that provides coverage for:

- Items not covered by the association master policy that may be your insurance responsibility.
- The value of building additions or alteration made by you, at your expense.
- Value added (if you've put in a better quality carpet than was originally there, for example, this coverage would make up the difference in case of loss).
- Damage to your unit not compensated because of the master policy deductible.

Your unit owner policy will also cover furnishings, appliances, fixtures and personal property that is in your unit. The value of this kind of property can be very high in some instances, and so you will need enough coverage to compensate you if there is a loss. Examples of the kinds of events that can cause loss or damage include fire, theft, weight of ice or snow that causes interior damage to unit or damage to decks, accidental discharge of water, explosion, freezing pipes not caused by your failure to maintain properly, smoke damage, vandalism or malicious mischief and so forth. You need to cover your personal property against these kinds of losses. You can also obtain coverage for the property of guests who are lawfully in your unit.

You should be aware of the fact that your unit owner policy will not cover loss from floods or earthquakes. It is important for you to read your policy carefully. In certain cases, your agent will be able to obtain special coverage for you in order to protect your property against a wider variety of unspecified losses.

Your policy will have a deductible feature. This is the amount of a covered loss that you will be required to pay yourself before the insurance payments begin. Most deductibles are written for amounts such as \$250, \$500 or \$1,000. By increasing your deductible, you can lower your insurance premium.

Your agent will probably ask you to prepare an inventory of your personal property possessions and furnishings within your unit. This inventory should include the date of purchase and the price that was paid. Many insurance companies provide a free home property organizer for this purpose. You should always keep your inventory listing in a safe place outside your unit. You can also use photographs or video to supplement your inventory. It is also a good idea to save receipts for major purchases of personal property items.

The shared responsibilities of the association and each unit owner to obtain appropriate insurance coverage is described in the attached Chart B. This chart explains the types of interior finishes, fixtures, appliances, furnishings and other property and contents within your unit that you are required to insure. Keep in mind that you must also insure against liability risks within your unit. Chart B is intended for illustrative purposes only, and your particular unit may contain improvements and decorative items that require special analysis and coverage. Be sure to discuss this possibility with your insurance agent.

CHART A
CHART FOR MAINTENANCE AND REPAIR RESPONSIBILITIES

1	2	3	4	5
DESCRIPTION OF PROPERTY OR COMPONENTS REQUIRING MAINTENANCE OR REPAIRS	COMMON ELEMENTS: RESPONSIBILITY OF ASSOCIATION	LIMITED COMMON ELEMENTS: RESPONSIBILITY OF BENEFITTED UNIT OWNER(S)	STRUCTURAL COMPONENTS OF UNIT UNDER ASSOCIATION RESPONSIBILITY	PERSONAL PROPERTY, FURNISHINGS, FIXTURES, AND INTERIOR PORTIONS OF UNITS: RESPONSIBILITY OF UNIT OWNER
Plumbing and related systems & components thereof	All maintenance, repair & replacement of portions of plumbing serving more than one unit. Water damage to common elements or common systems, but not if the primary source of the problem is negligence of unit owner or guests.	All maintenance, repair and replacement of systems and components serving benefitted unit owner(s).	Only to the extent that a malfunction originates outside the unit in which the malfunction occurs or may occur.	All portions within a unit including fixtures & appliances. Water damage to a unit, when the primary source of such problem is through the negligence of the occupants of that unit.
Electrical & Related systems & components thereof excluding appliances, fixtures & lights serving only one unit	All maintenance, repair and replacement of portions of electrical systems serving more than one unit.	All maintenance, repair and replacement of systems and components serving benefitted unit owner(s).	All maintenance, repair and replacement of portions of electrical systems serving more than one unit.	Systems, components, fixtures, lights and appliances.
Heating, ventilating & cooling systems & components thereof	All maintenance, repair and replacement of systems and components considered as common systems. Does not include systems serving individual unit decks and patios.	All maintenance, repair and replacement of systems and components serving benefitted unit owner(s).	All maintenance, repair and replacement of portions of electrical systems serving more than one unit.	Maintenance, repairs and replacement to be performed by Association at unit owner's expense.
Grounds, including all paved areas and other improvements and amenities lying outside the building walls and all underground utility systems.	Association is responsible.	Patio areas benefiting only one unit owner must be maintained and repaired by that unit owner.	N/A	Patio furniture and accessories on patio areas benefiting only one unit owner are the responsibility of that unit owner.
Buildings, exterior roofs, exterior vertical walls, foundations	Association is responsible.	Exterior portions of decks used by one unit owner are responsibility of that unit owner.	Association is responsible.	Deck furniture and accessories on decks benefitting only one unit owner are the responsibility of that unit owner.
Windows and window frames	Unit owner is responsible for maintenance, repair and replacement of unit windows. Association responsible for window frames.	Unit owner is responsible for maintenance, repair and replacement of unit windows. Association responsible for window frames.	Unit owner is responsible for maintenance, repair and replacement of unit windows. Association responsible for window frames.	N/A
Doors, main entry to units	Unit owner is responsible for maintenance, repair and replacement of unit doors. Association responsible for door frames.	Unit owner is responsible for maintenance, repair and replacement of unit doors. Association responsible for door frames.	Unit owner is responsible for maintenance, repair and replacement of unit doors. Association responsible for door frames.	N/A
Deck, terrace and patio doors	Responsibility of benefitted unit owner. Association has responsibility for all other common doors and entranceways.	Responsibility of benefitted unit owner.	Responsibility of benefitted unit owner.	N/A
Screens for patio doors and windows	Association is responsible for screens only on common doors and entranceways. Benefitted unit owners are otherwise responsible.	Benefitted unit owners are responsible.	Association is responsible for screens only on common doors and entranceways. Benefitted unit owners are otherwise responsible.	N/A
Parking Spaces	Association has responsibility for all outside parking spaces.	Association has responsibility for all garage parking spaces.	N/A	N/A
Storage Lockers	Other than storage lockers owned by unit owners, Association has responsibility for all storage lockers.	Responsibility of unit owner if unit owner owns storage locker.	N/A	Routine cleaning is responsibility of unit owner who benefits from storage locker.
Refuse Collection System	Association is responsible.	N/A	N/A	N/A

**CHART B
Insurance Matrix**

AREA OR ITEMS	WHO INSURES?
Buildings, exterior roofs, exterior vertical walls, foundations	Association
Grounds, common areas, landscaping, paved areas, exterior amenities and underground utility systems	Association
Common plumbing and related systems and components	Association
Heating, ventilating and cooling systems serving more than one unit	Association
Electrical and related systems and fixtures serving more than one unit	Association
Garage areas and parking spaces, refuse containers and other common service facilities and equipment	Association
Screens, exterior doors and windows	Association
Liability and property damage in common areas	Association
Storage lockers and contents	Unit Owner
Interior doors and patio doors	Unit Owner
Interior unit finish and improvements above original finish levels	Unit Owner
Appliances, fixtures, furnishings, personal property and other contents and attachments within unit	Unit Owner
Plumbing, heating, cooling and electrical equipment and pipes serving only one unit	Unit Owner
Liability and property damage within unit	Unit Owner