

Woodcrest Homeowners Association

Mandeville, LA 70471

June 30, 2018

To the Woodcrest Homeowner's Association:

At our most recent Board Member's meeting, our insurance representative who wrote our Association's current Master Policy presented us with proposals for our upcoming annual policy renewal on **6/30/2018**. In our discussions, and in light of the large number of new owners to WHOA; it became apparent that clarification of the responsibilities and financial obligations of the Unit Owner versus Association following damages from various perils to our units or common property was needed. Practically all of the information found in this communication is contained within your Condominium Documents (Articles of Incorporation, Declarations, By-laws, Amendments). This letter is intended to 1) highlight important points we feel you should understand, 2) direct you to where you may locate this information within your documents; and finally 3) provide you with "**Responsibility Matrices**" which address the subjects of damage repairs, insurance claims; as well as normal ongoing maintenance/upkeep. For those of you who may be unaware, your Condo Documents are accessible through the internet at *GNOproperty.com* website, click on *Our Communities*, and click on *Woodcrest Condominium*. *You will find the documents, the platt, and amendments, which you may copy and download to your personal computer.*

MAJOR POINTS

1. The areas of coverage found in our Master Policy adhere to the requirements of our Association's Declarations. (Declarations, p.24) Additionally, our Declarations require the inclusion of many items in our association's master policy coverage which are normally the responsibility of the unit owner as it pertains to the normal upkeep/maintenance/repair. However, as you will learn, our Master Policy **does** cover these items when they are included in damages from a peril covered by our policy and where a claim is made by our Association. These items include interior walls, ceilings, flooring, light fixtures, A/C & H Units, ductwork, electrical wiring, circuit breaker boxes, gas/water/plumbing lines, "Developer Grade" **built-in** appliances (i.e. microwaves, ovens, range, dishwasher.)

If you could take one of our Units, turn it upside down and shake it — whatever falls down **would not be covered** —i.e. refrigerators, TV's, furniture, wall hangings, etc.

2. Unit Owner's are allowed to secure their own individual insurance policy in order to provide coverage for personal liability in excess of that covered by the Association Master Policy, for their personal property, and for any casualty losses to any improvements made by an Owner to the immovable property within his Unit. A HO-6 policy is like a regular homeowner's policy, but for a condominium unit, and with a lot more extras. HO-6 insurance policies cover the interior of the unit and personal property inside—commonly known as “studs in” or “walls in” coverage. Such insurance is generally referred to as “contents insurance” or “tenants, improvements and betterments” coverage. (Declarations, p.27) In addition, since the filing of Amendment #2, 8/2010, the association formally eliminated the Association's requirement to provide Flood Insurance. Since that date, Unit Owners may individually acquire such coverage for their unit. (Amendment #2)

3. The amount of coverage for each building in the association is determined by the current replacement costs required to rebuild a 100% destroyed building to a “*developer's grade*” *build-out*, which is the quality level our units/buildings were originally built to. The Master Policy is a “Replacement Value” policy, which means there is no depreciation or age/wear deductions made to the claim reimbursement. The board determines appropriate coverages based upon acquired appraisals or other agreed upon estimates. (Declarations p. 24)

4. Where could the Master Policy fall short of insuring your unit fully? It is important to understand that our Declarations require that the Association is only responsible for repair/reconstruction up to a “Developer's Grade” Quality. Therefore, the Association's Master Policy Building Coverage Limits are based upon these average values versus higher values associated with highly upgraded, more expensive items in many of our recently renovated units (i.e. top line hardwood flooring, granite/marble flooring, granite/marble kitchen/bathroom counter tops, top-of-the-line built-in appliances, upgraded cabinetry, etc.)

Since the Master Policy insurance proceeds from claims will be calculated upon meeting the Developer's Grade of the original buildings, the additional costs required to bring repairs up to the upgraded levels found in many of our Units may require your evaluation as to whether additional coverage may be needed through your personal H06 policy in the Coverage A - Dwelling area of the policy. You should discuss this subject with your insurance agent. (Declarations p.27-6)

5. Responsibilities of Association and Unit Owner upon Occurrence of a Casualty causing Damage. If damage occurs to any of the **Common Elements**, or the **Units**, for which the Association has the responsibility of maintenance and repair, the Assn./GNO Property Mgr. shall obtain reliable and detailed estimates of the cost of repairs or replacements so as to place the damaged property in a condition as good as existing before the casualty. Board/GNO as trustee shall disburse the proceeds of all insurance policies to contractors engaged in such repair and restoration in appropriate progress payments. Any costs of such repairs and restoration in excess of available insurance proceeds shall constitute a common expense, and the Board of Directors shall make assessments against the Unit Owners who own the damaged Units, and against all Unit owners in the case of damage to Common Elements, in sufficient amounts to provide funds to pay the estimated costs of repairs and reconstruction. Any assessments against Unit Owners for damage to their individual Units shall be in proportion to the cost of reconstruction and repair of their respective Units. (Declarations p.30)

If damage or destruction occurs only to those parts of one or more **Units** for which the responsibility of maintenance and repair is that of the individual Unit Owner, then the Unit Owner shall be responsible for reconstruction and replacement after casualty. (It is difficult to come up with any covered peril within our Master Policy that could affect only non-Association repair responsibility items in a given incident). If any portion of the insurance proceeds payable to the Assn. under the Master Policy, is for such unit repairs, the proceeds will be paid over to the Unit Owner/Mortgagee jointly, who may use such proceeds as they may be advised. (Declarations p.30)

6. You may want to discuss with your insurance agent the endorsement called **“Loss Assessment Coverage,”** especially if you currently do not have it within your personal H06 policy. Here’s how it works. When the Association board calls for an assessment as a result of “sudden and accidental” direct physical loss to the property owned by all members collectively. The loss must be caused by a loss under “losses covered under Dwelling Protection Coverage or Other Structures Protection Coverage. Where this really saves money is in the case of a major storm or fire. Think Katrina. Multiple units within the association also get hit. Over a dozen trees are destroyed throughout our property. In order to have sufficient funds to accommodate the repairs and rebuilding, the board must assess the membership. An appropriate loss assessment endorsement could virtually eliminate the unit owner’s assessment debt, as well as cover any deductible they would normally have to pay for any claims made on behalf of their individual unit’s damage .

The Board hopes this information will be helpful as we move into this year’s storm season. We would like to think we will not need to concern ourselves with this subject

for some time to come. However, should you have any questions regarding this information, feel free to contact a member of the board,

Board of Directors

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