
VILLAGE SQUARE ASSOCIATION, INC.

Policy No: 2009-1

RESIDENTIAL UNIT INSURANCE DEDUCTIBLE POLICY

Background

The Colorado Common Interest Ownership Act (“CCIOA”) (C.R.S. §38-33.3-113 “Insurance”) requires that property insurance on Common Elements be insured for broad form covered causes of loss and that the total amount of insurance be in an amount not less than the full insurable replacement cost of the insured property, adjusted annually (less deductibles).

Section 10.2 of the Village Square Declaration of Covenants, Conditions and Restrictions (“Declaration”) stipulates that each Owner be responsible for repairing or replacing any damage to, or destruction of, a Unit. Thus, the Declaration does not necessarily provide for or require that a Unit Owner insure a Unit for “full insurable replacement cost” nor proscribe a maximum deductible for Unit property losses.

Therefore, the Executive Board of the Village Square Association, Inc. (“Executive Board”) appreciates that a potential conflict or tension may exist when a Residential Unit suffers a loss. This tension may be increased by the fact that the Village Square Association, Inc. insures the Common Elements of Village Square (as CCIOA requires) for their full insurable replacement costs. On the other hand, each Unit Owner is responsible for repair or replacement of any damage done to his/her/their/its Unit as defined by the Declaration and the Condominium Map. Thus the Unit Owner is responsible for damages to the furnishings and other personal

property of the Unit Owner as well as damage to those portions of each Unit which are not considered or denominated as part of the Common Elements of the Village Square Condominium.

The Executive Board of Village Square is also aware that there are various insurance options open to each Residential Unit Owner covering losses all or in part. In order to minimize any tension or conflict between a loss to the Common Elements and to a Residential Unit, the Executive Board encourages Residential Unit Owners to carry “full insurable replacement cost insurance” with a per occurrence deductible of not more than \$1,000. This Policy only applies to Residential Units and to the Owners thereof who as of the date of any Unit loss have insurance coverage as provided for herein.

1.0 REIMBURSEMENT OF INSURANCE DEDUCTIBLE

In the event of a failure of any portion of the Common Elements (including, but not limited to, plumbing, electrical and drainage) such that a Residential Unit is damaged, the Executive Board will consider on a case by case basis reimbursing the Residential Unit Owner for the actual amount of the deductible or self-insured retention portion of said Unit Owner’s insurance paid by the Owner, provided that said Owner has insured the Unit and all of the Owner’s property for not less than its full insurable replacement cost with a deductible not exceeding \$1,000 per occurrence. In such event the Executive Board of Village Square on behalf of the Association reserves the right to seek reimbursement of such deductible reimbursement from the responsible party or parties excluding the Owner of the Residential Unit suffering such loss.

2.0 LIMITATIONS

Notwithstanding the foregoing, the Executive Board of the Village Square Association shall not be required to reimburse any Residential Unit Owner if any of the following conditions are in existence as of the date of said loss:

- a. The loss or damage is caused by a failure or event which occurs within the boundaries of a Residential Unit as shown in the Governing Documents of the Association
- b. The Residential Unit Owner does not have current full insurable replacement cost insurance coverage in effect as of the date of the loss.
- c. The self-insured retention or “deductible” for the insurance of said Residential Unit exceeds \$1,000 per occurrence.
- d. The loss involves more than three (3) Units of the Village Square Condominium.
- e. The loss first occurs or commences as a result of damage, destruction or loss in another Residential or Commercial Unit of Village Square or in the Village Square Conference Center.

3.0 EXTRAORDINARY CIRCUMSTANCES

The Executive Board may, but is not required to, consider alternative remedies in the event of any loss to a Residential Unit. It is the intention of the Executive Board to be fair and equitable to all Residential Unit Owners without being able to anticipate the type of casualty loss which may occur within or outside of the provisions of this Policy.