

Foxboro Coventry Towns Homeowners Association, Inc.

February 17, 2012

Dear Foxboro Owner:

The purpose of this letter is to inform you of upcoming changes to the insurance policies carried by the Foxboro Coventry Towns Condominiums Owners Association (the "Association"). ***Please read this letter, as the changes will affect you.***

After reading this letter, please discuss the changes with your own insurance agent to determine what action, if any, you need to take to be sure that you have any coverage you may need.

In the 2011 legislative session, the Utah State Legislature passed a bill that changes the way insurance policies cover homeowner associations and the way that individual unit owner policies interact with the master homeowner association policy. In June, 2012, the Association will renew its master insurance policy, and at that time it will be required to make changes to the policy to comply with the new law. You will want to talk to your insurance agent about making the necessary changes to your own policies at that same time, as you and your agent may determine. The changes and associated effects for homeowners are summarized below.

***Policy Coverage Changes:***

- After June, 2012, the Association's property insurance will be responsible for covered losses to the physical structures in Foxboro, including the building structure and shell, all interior improvements or betterments that are attached or otherwise considered a permanent part of the structure (this will include things like paint, wallpaper, flooring, cabinets, and other items attached to the structure). This is a change, because previous policies were not required to cover interior finishes within the units. Please note that the Association's insurance will still not cover your furniture or other belongings inside your unit.
- After June, 2012, the Association's liability insurance will cover claims arising out of the use of common areas and facilities, but not claims that arise out of the use of individual units.<sup>1</sup> Claims arising out of the use of individual units will still be the responsibility of each unit-owner and such owner's liability insurance policy. After June, 2012, each unit owner will be an insured person under the Association's policy that insures against liability arising from the unit owner's interest in the common areas and facilities or from membership in the Association.
- It is not required, but is strongly recommended, that each unit-owner carry a Condo-Owner (HO6) policy that will cover their individual liability and their personal property that is not attached to or otherwise considered a permanent part of their unit.
- If a loss occurs to a unit or units in the Association, the Master Policy will be considered the primary policy in the claim, unless the Association's board of directors determines that a claim is

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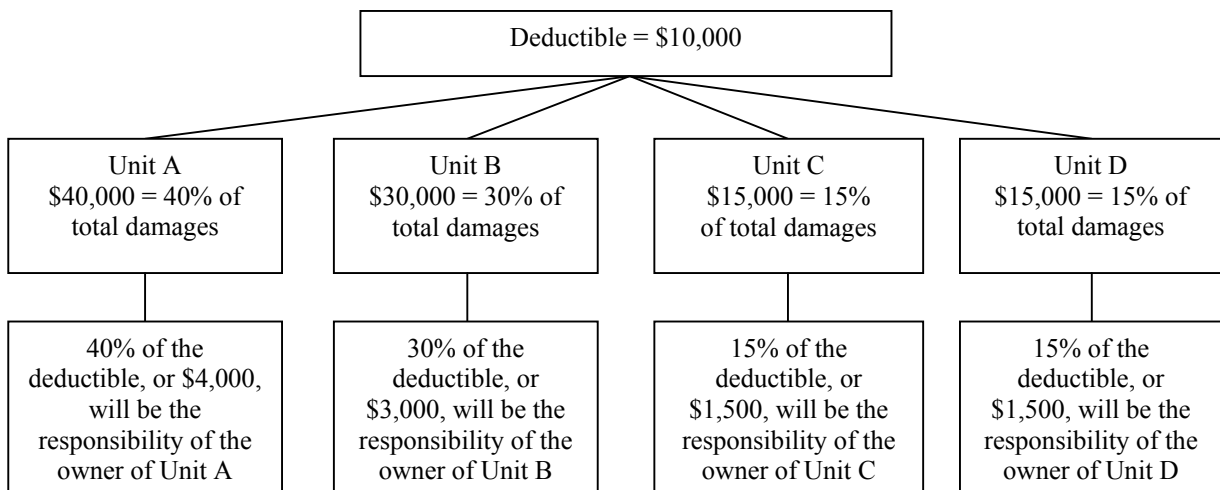
<sup>1</sup> Please note that the liability policy covers liability to third parties and is separate from the property insurance policy, which covers physical damage to a Unit or the common areas.

likely not to exceed the property insurance policy deductible of the Association, in which case the Unit Owners' policy is considered the primary policy for the claim, and the Association need not tender a claim to the Association's master policy.

- Effective June, 2012, the Association's deductible will be \$10,000. That amount may change from time to time as determined by the Association's board of directors.
- When one unit sustains damage to any portion of the unit insured by the Association's master policy, the unit owner will be responsible for the amount of the loss up to the Association's deductible. When multiple units sustain damage in the same loss event, the Association's policy deductible will be apportioned according to unit damage percentages. In other words, each unit owner will be assessed a share of the total damages, up to the deductible amount of the Association's master policy, regardless of the cause of the damage.

The amount allocated to the owner of each damaged unit shall be an amount determined by multiplying (a) the deductible or the total damages, whichever is less, by (b) a percentage determined by dividing the amount of damages to that owner's unit by the total amount of damages. No unit owner will be required to pay an amount that is greater than the deductible under the Association's master policy, regardless of the cause of the damage. For illustrative purposes only, following is an example:

A fire starts in Unit A and spreads to Units B, C and D. The damages to Unit A will cost \$40,000 to repair, the damages to Unit B will cost \$30,000 to repair, the damages to Unit C will cost \$15,000 to repair, and the damages to Unit D will cost \$15,000 to repair, for total damages in the amount of \$100,000. Responsibility for payment of the deductible would be apportioned among the unit owners as follows:



- A unit owner whose unit has been damaged and who has been assessed all or a portion of the Association's deductible may file a claim against their Condo-Unit owner policy (HO6) to pay their portion of the assessment; therefore, each individual unit-owner policy should carry coverage up to the deductible amount of the Association's master policy.
- If a unit owner chooses not to carry an individual Condo-Unit Owner Policy (HO6), they will personally be responsible for their assessed portion of the Association's deductible. If the unit owner fails to pay their share of the Association's deductible within 30 days after substantial

completion of the repairs to the unit, the Association may levy an assessment against the unit owner for that amount, and that assessment will constitute a lien against the nonpaying owner's unit.

- Because of the different ways in which some insurance companies may pay claims, we strongly advise that each unit owner consult with their insurance agent to determine if such a claim would be paid as "Dwelling Coverage", or from "Loss Assessment Coverage". They should then set the appropriate coverage limit to be equal to or greater than the Master HOA policy deductible.

Please note that the changes described in this letter have been imposed by law, and not by any decision of the board of the Association. As you can see, the changes made by the Utah legislature make it more important than ever for each individual owner to carry insurance coverage insuring against potential losses for which that owner may be responsible in the future.

***Please talk to your insurance agent to be certain you have adequate coverage.***

Very truly yours,  
Donald Lowry  
President, Foxboro Coventry HOA  
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