

August 4, 2022

Terrace Town Homes of Woodlawn
10428 Business Center Ct
Manassas, VA 20110
RE: Special Coverages for Condos

Dear Members,

The board of directors has selected Brown's Insurance Agency, Inc. to provide the master condominium policy for Terrace Town Homes of Woodlawn for the year beginning 8-1-22. We thank you for your business, and we look forward to a long and successful business relationship.

If any of you need proof of insurance for your lender, this can be requested by contacting Annie Meier in our office. Her phone number is (703) 368-0333 X404 . Her email address is annie.meier@brownsinsurance.com. Requests can also be faxed to us at 703-368-2742.

This letter is intended to explain some of the special coverages associated with condominium insurance, and to offer you the opportunity to purchase those coverages. When you buy a condominium, whether for residential or business use, you buy a share in a partnership with all of the other unit owners. One of the advantages to condominium ownership is that the association buys a master insurance policy on the property, eliminating the need for insurance on the part of the individual unit owners. Sounds great, doesn't it? Unfortunately, it's not that simple.

When you first purchase your condo unit, the mortgage company will want to see proof of insurance on the building. They typically refer to this as hazard insurance. Since the association usually has a master policy on the building, all you will need is a certificate of insurance from the insurance company writing the master policy (that's us). Just send your request to the agent as described above. For the most part, that is all the mortgage company cares about. Any other coverages may be purchased at your discretion.

What is missing from the master policy?

1) Contents

First, the master policy does not cover the contents owned by the unit owner. You can buy that from our agency if you choose.

2) Part of the building

Second, the master policy does not cover damage to the portion of the building which the bylaws say you must maintain. The bylaws for Terrace Town Homes of Woodlawn say that the association will insure the building, including the unit as it was originally built, regardless of ownership. This is sometimes referred to as "all in" coverage. The unit owner is responsible for

insuring any improvements added after the original construction. If you replace an old heat pump with a new one, that is not an improvement. But if you upgrade the flooring throughout your unit to top quality hardwood and marble, that is an upgrade, you should make sure that your condominium owners insurance policy includes enough building coverage to replace such improvements. If you have a claim, we want you to have adequate coverage! Increasing building coverage is not expensive. If you don't have a condominium unit owners policy, please call our office at 800-527-6967 to get one. Premiums start at around \$150 per year depending upon the coverage amounts that you buy.

3) Loss assessment

Third, the master policy does not offer coverage if the association performs an assessment against individual unit owners. From time to time, the association may have a claim for damages for which it is not properly insured. For example, there may be a claim for \$1,000,000 in damages, when the association only has \$900,000 coverage. To cover such a shortfall, the association would take an assessment against each of the members proportionately. For a big claim, this can mean serious dollars to each unit owner. Loss assessment is available to cover such claims provided the damage was caused by a type of loss which the unit owner's policy covers. Claims of this sort are more likely in associations that do not have a professional management company, but can happen even with a management company. Adding loss assessment coverage is cheap. Most companies only offer a limited amount of coverage, such as \$50,000.

4) Liability

The master policy should include liability to protect the association from suits arising out of bodily injury and property damage. Unit owners should purchase their own liability insurance to protect them. For owner occupied residential units, this is typically done through the purchase of a condo owners policy. For commercial units, we would usually offer a commercial general liability policy.

A word about deductibles

All master policies have a deductible. The deductible for Terrace Town Homes of Woodlawn this year is \$2,500 per building. Even if you purchase loss assessment coverage as described above, it may not cover for an assessment to pay a deductible under the master policy. The bylaws of your association will clarify whether the deductible is considered a common expense, or is paid by the unit owner of the damaged unit or units.

Should you serve on the board of directors?

At some point, you may have the opportunity to serve on the board of directors of your association. The good side to doing so is that it gives you some control over how your affairs are run. The down side is that serving on the board could make you a target of litigation. Before accepting a position on the board, we recommend verifying that insurance will protect you from suits for your actions as a board member. If the board is unpaid, your homeowners policy (if you have one) may provide limited liability coverage. Since the homeowners policy excludes liability arising out of business pursuits, it will not cover if you are paid to serve on the board.

Terrace Town Homes of Woodlawn carries a directors and officers liability insurance policy with a limit of \$2,000,000. This protects the members of the board if they are sued as a result of their actions. There are exclusions in all such policies, and you should make sure that you understand them.

Other Property Insurance Questions

This letter is designed to address issues which are specific to condominium ownership. The policies which we sell for condo unit owners also contain limitations and exclusions common to other property insurance forms as well. We will be happy to go over the policy in detail if you choose. Please call if you have any questions about any of your insurance coverages. Also, please call if we can help you with any other insurance needs, such as personal or commercial auto, general liability, work comp, life, health, or disability insurance.

A condominium owners policy providing \$50,000 contents, \$50,000 loss assessment, \$50,000 building coverage, and \$500,000 liability would probably cost between \$200 and \$400 per year, and we recommend that every unit owner have such a policy.

Sincerely,

Mike Brown