

Policy # 27: Insurance**Insurance - Fire and Extended Coverage**

- The Board of Directors shall obtain and maintain at all times fire and extended coverage. Insurance against such risks as are customarily covered with respect to town home Units including the "entire premises", including all general and limited common elements, including fixtures and improvements within the individual town home Units.
- Specifically, the policy shall insure against loss or damage by fire, vandalism, malicious mischief, and such other hazards as are covered under standard extended coverage provisions for the full insurable replacement cost of the Common Areas, the structural components of the town homes (including interior walls, paint, cabinetry, fixtures, lighting, plumbing, flooring, air conditioning equipment, and built-in appliances, but not including furniture, non-built-in appliances, and non-customary surface finishes), and against such other hazards and for such amounts as the Board may deem advisable.
- In the event of a loss covered by insurance to which a deductible is applicable, the Unit's owner of the town home where the loss is determined to have originated will be responsible for the total amount of any deductible amount covered by the insurance policy. If the origin is not or cannot be determined, then the Unit owners of all town home Units involved in the claim will be responsible for the deductible in an amount proportional to the loss covered by their Unit.
- A loss payable shall be in favor of the Home Owner's Association as a trustee for each Unit Owner and each Unit Owner's mortgagee. The Owner's association is required to hold any proceeds of insurance in trust for Unit Owners and first mortgage holders as their interest may appear. The Association shall be obligated to repair or rebuild any structure that is covered by insurance and that is destroyed due to casualty after the payment by the Unit owner of any deductible due. In the event that the loss involved flood and/or rising water damage not covered by the blanket policy, then Unit owner(s) where non-covered water loss must also pay the Association an amount to cover the water damage before the Association is obligated to repair or rebuild structures in the water damaged unit.
- This insurance shall be issued by responsible insurance companies authorized to do business in the State of Texas preferable upon forms prescribed or approved by the Texas State Board of Insurance naming the Association and its members as the insured, which policy or policies indemnify the interests of each town home Unit owner and shall provide

for the standard non-contributory mortgagee clause in favor of each mortgagee. It shall also provide that it cannot be canceled by either the insured or the insurance company until after ten (10) days prior written notice to each first mortgagee. The Board of Directors shall, upon request of any first mortgagee, furnish a certified copy of such blanket policy and the separate certificate identifying the interest of the mortgagor.

- All policies of insurance shall provide that the insurance there under shall be invalidated or suspended only in respect to the interest of any particular owner guilty of a breach of warranty, act, omission, negligence or non-compliance of any provision of such policy, including payment of the insurance premium applicable to that owner's interest, or who permits or fails to prevent the happening of any event, whether occurring before or after a loss, which under the provisions of such policy would otherwise invalidate or suspend the entire policy, but the insurance under such policy, as to the interests of all other insured owners not guilty of any such act or omission, shall not be invalidated or suspended and shall remain in full force and effect.
- Provided further, the Home Owner's Association, in order to preserve the integrity of the town home Community, shall be deemed to have an "insurable interest" in each town home Unit and the property contained within the finished interior surface of the perimeter walls, floors and ceiling of each unit, and may insure such property and improvements within the interior finished perimeter walls, floors and ceiling of each town home Unit.
- In the event that the Board of Directors is unable to get any reasonable quotations for this insurance coverage from qualified bidders, then the Board is required to notify all homeowners immediately of this fact by mail. Homeowners will then be responsible to secure their own individual coverage to replace the blanket policy.
- The insurance required in paragraph 1(a-d) does not insure the personal property, clothing and furniture of the unit owners, and each such unit owner shall, at the owner's option and expense, obtain such other insurance as the owner deems necessary to insure such personal property.
- The insurance required in paragraph 1 (A - D) does not insure against any loss from flood or rising waters, and each Unit owner shall, at the owner's option and expense, obtain such other insurance as the owner deems necessary to insure such flood and rising water damage.
- In addition the insurance required in paragraph 1 (A - D) does not insure fixtures,

- installations or additions composing a part of the building within the finished interior surfaces of the perimeter walls, floors and ceilings of the individual town home Units or installed by or at the expense of the unit owners, and which are not installed in accordance with the original town home Unit plans and specifications.

Provided further, nothing herein shall be construed to prohibit the owner of a unit from obtaining at his cost and expense such additional insurance as may be necessary to insure his town home Unit and the fixtures and improvements there in.

Insurance – Liability

The Board of Directors shall maintain a policy of comprehensive public liability insurance and property damage insurance against claims for personal injury or death, or property damage suffered by the public, or any owner, family, agent, employee or invitee of an owner, occurring in, or on or about the limited or general common elements hereof, including, but not limited to walkways, terraces, passageways, driveways, roadways, stairs or property adjoining the town home Unit, which public liability and property damage insurance shall afford protection to such limits and extent as the Board of Directors deems desirable.

Provided further that such liability and property damage insurance policy shall contain a cross-liability endorsement wherein the rights of named insured under the policy or policies shall not prejudice his, her or their action or actions against another named insured This liability coverage does not insure the individual Unit owner for liability or damages arising out of the use of his individual town home Unit as distinguished from the common elements of the town home project, and each unit owner shall, at the owner's option and expense, obtain such other liability insurance as the owner deems necessary.