

Valley Pond Townhome Insurance Summary

(Based on VPTA Declaration of Covenants, Conditions, Easements and Restrictions
Article VII, Covenants for Insurance)

1. **Maintenance of Insurance:** All owners are required to carry and maintain an insurance policy with coverage for fire, vandalism, miscellaneous mischief that will include the entire replacement cost of their home. Rather than through numerous individual insurance policies, insurance coverage can be obtained through a Master Policy with the Association as Trustee. Valley Pond Townhome Association has selected this method as the way to provide insurance for all owners.

2. **Association as Insurance Trustee:** If any living unit is destroyed or damaged by causes covered under the Master Policy, the proceeds are payable to the Association and to the First Mortgagee or Mortgagees of record of the living unit. The proceeds will be administered as follows:

a. The proceeds will be deposited in escrow with a title insurance company acceptable to the Association and the First Mortgagee.

b. Within 30 days after the proceeds have been deposited with a title insurance company, the owner shall enter into a firm contract with a qualified builder satisfactory to the Association to provide for the reconstruction or remodeling of the Living Unit to, substantially, the same condition that existed immediately prior to the insured loss. Owners may not enter into any contract for an amount greater than the insurance proceeds until additional funds are deposited by the Owner that will cover all construction costs as determined by the Title Insurance Company. The reconstruction or remodeling work shall start and be completed promptly and shall be finished no later than 180 days after the proceeds have been deposited. The Association and the First Mortgagee have the right but are not obligated to deposit additional funds in excess of the insurance proceeds to permit construction.

c. If the owner fails to enter into a contract to reconstruct or remodel or the construction or remodeling is not completed as prescribed by paragraph 2b above, then the Association or the First Mortgagee has the right, but not the obligation, to contract and complete the reconstruction or remodeling work, without becoming liable to the Owner. The Association can collect charges from the owner for its actions to carry out the work.

d. Disbursement of the funds escrowed for contracts for reconstruction or remodeling shall be made by the title insurance company subject to the following:

- i. Reconstruction or remodeling has complied with the Association's Architectural Control Committee review.
- ii. The Title Insurance Company has received written consent from any party holding a lien or encumbrance on the Living Unit.
- iii. The Title Insurance Company has received sworn construction statements,

lists of subcontractors, lien waivers and receipts that it needs. Disbursements may be in installments and the Title Insurance Company can make inspection and withhold payments it deems necessary to ensure completion and compliance with plans and specifications. The Title Insurance Company may charge for its services and the Association is empowered to pay a reasonable fee for services rendered. The Association shall collect such charges from the Owner or Owners as the case may be.

- iv. The Title Insurance Company has received written consent of the Owner(s) to make the payments.
- e. Nothing in this Section 2 makes the Association or its Board of Directors, or the First Mortgagee responsible to either collect or not collect the insurance proceeds. The Association Board of Directors or First Mortgagee is responsible only for insurance proceeds that come into their hands. The Owner(s) of the damaged or destroyed Living Unit(s) collect the proceeds from the insurance carrier which will then be delivered to the Association in trust to pay for the repair work.
- f. In the event that a remodeling or reconstruction contract, for any reason, is not entered into within 180 days after the deposit of insurance proceeds with the title insurance company, the title insurance company shall disburse the proceeds to each mortgagee of record of the affected Living Unit(s) as its interest appears to retire the indebtedness of the mortgage. The title insurance company may then disburse any remaining deposits, first to cover its own costs and expenses, next to pay any delinquent assessments that have been created, and last to the Owner(s) as their interest appears.

3. Waiver of Subrogation: Each Owner and the Association mutually releases each from the other from all claims for damage or destruction of their respective properties if the damage or destruction results from one or more of the perils covered by the standard Minnesota form of fire and extended coverage insurance.

4. Lien For Premiums: The Association may pay insurance premiums for any owner who becomes delinquent. If the Association pays this cost, it is treated as part of the annual assessment and becomes a charge on the land, a continuing lien on the property, and the personal obligation of the Owner from the time the Association paid the cost.

5. Public Liability Insurance: The Association shall purchase and maintain a comprehensive policy of public liability insurance covering all of the Lots. The insurance policy shall contain a "severability of interest" clause endorsement that prevents the insurer from denying an Owner's claim because of negligent acts of the Association or other Owners. VPTA has \$3 million liability insurance for its Board of Directors and for the Owners.