



CREATIVE MANAGEMENT COMPANY

July 30, 2009

All Owners
Red Oak Owners Association, Inc.

RE: Association Property Insurance

Dear Homeowner:

Effective July 1, 2009, your Association renewed the insurance covering the common areas, including the building, for coverage as specified in your Association documents. This letter is intended to inform you about important information that you need to be aware of.

There has been quite a challenge over the last few years with our insurance renewal due to a number of insurance carriers "leaving the market" for those of us living in an area considered high risk for windstorm damage.

The 2007 hurricane season was "quieter" for us here in Texas so we saw more favorable rates last year. However, with Ike visiting us in 2008, we expected and saw some increases in our property insurance costs. We conducted an exhaustive search of the insurance market to assure that we could provide your association with the most competitive and comprehensive coverage available.

Enclosed with this letter is a list of the most frequently asked questions concerning the insurance program that should answer most everything on your mind.

While some of the following may be a duplication of items on the enclosed list, we want to ask you to pay particular attention to the following three items:

1. Our insurance requires that we annually notify all unit owners that they are to have working smoke detectors in their units. Whether you reside in your unit or not, you are responsible for making sure you have smoke detectors that are working.

2. Be sure you purchase insurance for yourself to cover what the Association is not responsible for. You will need to consult with your own professional agent to be sure you are getting everything you need. At the least, please remember that you are responsible for:
 - A. your own contents
 - B. any improvement or betterments made to your unit beyond original construction quality (example: if the floors were carpeted upon original construction and you now have \$100.00 per square foot imported marble, you are responsible for the upgrade)
 - C. your own personal liability
 - D. the additional living expense costs if you need to move (or have a loss of income) from the property due to damage to your unit

3. Our deductible for windstorm is significant, and in the event of a loss, it is likely that each unit owner will be assessed to cover the deductible. You have the ability to "insure" this assessment by purchasing the "Condominium Loss Assessment Endorsement" as part of your personal insurance that you purchase on your own (noted above). Please consult with your personal insurance agent about your individual needs, and verify with them that you have the proper coverage, which we understand is a Homeowners-Condominium Owner Policy. This policy can include enhancements such as the Loss Assessment Endorsement. We understand this endorsement will cost you \$20.00 or less and will cover up to \$1,000.00 for assessments due to a deductible (some companies are now offering more than the basic \$1,000.00 for deductible assessments).

We certainly hope that we do not have any losses, but in the event that we have the unfortunate happen, we all need to be as protected as possible. Hopefully, we will not have any significant windstorm issues hit the United States, and in particular, the Gulf Coast area, again this year and we will get some additional price relief next year.

If you have any questions, please do not hesitate to contact our office at (713) 772-4420.

Very truly yours,

CREATIVE MANAGEMENT COMPANY
Agent for Red Oak Owners Association, Inc.



Jeff Douglas, PCAM
President

MOST FREQUENTLY ASKED QUESTIONS CONCERNING THE INSURANCE PROGRAM

What does the Association's Property Insurance Program cover?

- The policy includes coverage for, but is not limited to, the exterior walls and roofs, the interior walls, paint, wallpaper, cabinets, built-in appliances, floor coverings, built-in lighting, ceiling fans and window coverings **as originally constructed** (meaning if the walls were originally painted, the Association's insurance would replace the interior walls and paint them - if they were wallpapered, it would wallpaper them with like kind and quality). What the Association's insurance would not cover is "upgrades" to original construction (meaning that if you had painted walls and you or someone before you added expensive wallpaper, you will be responsible for the upgrade). You could cover this easily with your own personal insurance (condominium owners insurance).
- The policy has a deductible that varies, depending upon the type of loss, and it ranges from \$10,000.00 to 2% of our insured value. Your Association will have a policy on your responsibility for the deductible.
- Floor coverings and roofs over 12 years old are subject to depreciation.
- The Association's insurance does not cover your personal property. An easy way to remember this is, if you normally would take it with you when you move or you have upgraded it beyond the original construction (installed \$100.00 per roll wallpaper or imported marble floors), it is not covered under the Association's policy. It is your responsibility to insure that property (condominium owners insurance).
- Please note: The property insurance policy covers insurance losses and does not pay for maintenance. For example, if a pipe were to burst in your unit, it is our understanding that the repairs to the pipe are your responsibility. If this pipe break results in damage to the unit, the damage would be covered by the Association's insurance, subject to a \$10,000.00 deductible.

What other insurance does the Association have?

- Associations generally purchase several coverages, as specified in our documents, for the protection of the Association. These include General Liability insurance for the common areas, Directors & Officers Liability insurance, Worker's Compensation insurance, Employee Dishonesty insurance, Boiler & Machinery insurance, and Umbrella Liability insurance. Some also purchase Flood insurance. Please note that if you are a Townhouse Association, the Association cannot purchase flood insurance on the buildings; only the individual unit owners can do so.

What insurance do I need to purchase individually?

Unit owners living in the unit:

A. If you live in the unit that you own, consider purchasing at least the following protection (of course, consult with your own professional agent to be sure you are getting exactly what you need).

1. Homeowners Insurance (HO-CON form) covering any part of the interior of your unit that is not covered by the Association policy (the improvements and betterments), plus your personal contents in the unit. This policy should also provide you with personal liability coverage arising out of the ownership and occupancy of the unit, additional living expenses, and loss assessment coverage. Note: Renters insurance is for renters, not owners, and it provides coverage for contents and liability only. **If you are an owner, Renters insurance will not provide you the protection you need.**

2. Flood insurance - Your Association may purchase flood insurance. Please note that:

- Condominium Associations can only purchase flood insurance per building, not on individual units
- Townhouse Associations cannot purchase flood insurance on the building for you; you must purchase coverage for your unit on your own.
- If the Association does purchase flood insurance, it will NEVER provide coverage for your personal property or your improvements and betterments. You must purchase this on your own.

Unit owners renting the unit to others:

- A. If you own a unit but do not live in it (rent it to others), you have the same exposures as unit owners who live in their unit; however, you may or may not be able to purchase the same level of personal insurance. Please check with your professional agent and ask them what they have available for you.

What is the Condominium Loss Assessment Endorsement?

- This endorsement, when added to your HO-CON policy, will pay for your share of any special assessment charged by the Association due to an insurance deductible (up to \$1,000.00 generally - some carriers are now offering higher limits) for a loss to **collectively owned** property. This should cost less than \$20.00 to add to your policy.