



Lake Barrington Community Homeowners Association

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2010 Insurance Information for LBS Unit Owners

Introduction

Condominium home insurance has some important aspects that differ from non-condominium home insurance. This memorandum is intended to explain the insurance issues relating to condominium ownership. It describes the differences in responsibilities between the Condominium Associations and Unit Owners and can help you provide the appropriate level of insurance coverage for your unit. All unit owners are encouraged to talk with their insurance agent or carrier to ensure that they are adequately covered.

The unit owner's property risks are covered by two separate insurance policies: One taken out by the individual Condominium Associations; and the other by the unit owners.

Condominium Association Responsibility

Each of the thirteen Lake Barrington Shores Condominium Associations is required under the Illinois Condominium Act and the LBS Condominium Declarations to provide insurance coverage for the common elements, limited common elements, and the buildings and units up to the interior surface of the walls and ceilings.

According to Sec. 12 of the Illinois Condominium Act ("ICA"), the property insurance policy for an association must cover the structural elements of the building including the following; 1) interior and exterior walls, foundation and roof, 2) the common areas of the building such as the lobby and hallways, 3) the unfinished interior surfaces of the perimeter walls, floors, and ceilings of the individual units, and 4) certain fixtures in the individual units initially installed by the developer.

Unit Owner's Responsibility

The LBS Condominium Associations' policies do not provide coverage for the unit owner's personal property, such as furniture, rugs, clothing, appliances, or any other unattached item either inside the unit or stored elsewhere. Nor do the policies provide coverage for personal liability that arises from within the unit. These items are the responsibility of unit owners and should be protected under a Homeowners (HO-6) policy.

LBS Condominium Association Coverage

"Conventional" condominium property policies do not cover "improvements and betterments" defined as "all decorating, fixtures, and furnishings installed or added to and located within the

boundaries of the unit, including electrical fixtures, appliances, air conditioning and heating equipment, water heaters, or built-in cabinets installed by unit owners, current or previous.”

LBS Condominium Associations’ insurance goes beyond conventional association insurance and does include improvements and betterments coverage as a primary coverage and for full replacement cost. This is a valuable addition to the policy that can benefit unit owners and does not increase the premium cost to the Condominium Association.

The LBS Condominium Associations carry insurance that includes:

- Building damage or loss
- Common elements and limited common elements (Landscaping and grounds improvements [walkways, lighting receptacles, etc.]
- Ordinance and Law coverage
- Liability insurance to protect the association
- Full replacement cost coverage that has been required since 1963.
- Improvements and Betterments (see Special Case commentary following)

LBS Special Case for Improvements and Betterments Coverage

While improvements and betterments coverage is included in the LBS Association policies, a unit owner should still carry some amount of “Property Coverage A” insurance (that also includes improvements and betterments) in his HO-6 policy for perils not included in the LBS coverage.

Perils Covered by the Association Policy

Covered perils include, but are not limited to, fire and/or smoke (accidental or arson), lightning, wind storm, rain, hail, sudden water discharge, vandalism, pipe burst water damage, electrical malfunction, collapse (overload), weight of ice or snow, riot/ civil commotion, and collision (vehicle, aircraft, etc).

Perils not covered include, but are not limited to, flood, earth movement (settling, landslide, and subsidence), earthquake, acts of war or terrorism, deterioration, wear and tear, faulty workmanship, contamination, and nuclear hazard.

It is recommended that each unit owner review this topic with his insurance representative.

Chargeback of Association Deductible to Unit Owner

The LBS Condominium Association policy carries a \$5,000 per incident deductible. The Illinois Condominium Act grants certain rights to associations regarding the handling of deductibles under association insurance policies. This includes the right to assess the deductible amount, through a board vote (after notice to the unit owner and an opportunity for a hearing), to the owner who caused the damage or from whose unit the damage or cause of loss originated.

In selecting a Homeowner policy the unit owner needs to make sure the HO-6 insurer will cover this risk for them. HO-6 Condo Insurance policies do include loss assessment coverage, but

depending on the insurance company issuing the policy, this may only cover loss assessments that are prorated across all unit owners in the Association.

The Homeowner's Policy should be prepared to handle those losses that occur within the home that do not reach the Association's \$5,000 Deductible. Be certain to talk to your Agent about this necessary coverage.

Unit Owner Insurance Needs

Condominiums and townhouses have special insurance needs. They don't need as much insurance as a house, but owners have more to insure than a renter. The insurance needs for a condominium unit owner include personal property and liability coverage. The HO-6 policies for condominium owners provide the liability and personal property protection a condominium owner needs.

Such HO-6 policies include:

- Personal property (Anything not attached to the unit)
- Property (Improvements and Betterments, Additions or Alteration to the dwelling)
- Loss Assessment
- General Liability
- Include broad water damage coverage for problems such as sewer and drain back-ups
- Guest Medical Protection
- Additional Living Expenses and other Additional Protection

It is recommended that you talk with your own insurance agent or broker for more details.

Loss Reporting Procedures

As soon as a unit owner discovers a loss, he/she should immediately report the loss to the LBS management office and to their own HO-6 insurance agent or carrier.

Examples of Responsibility For Insurance Coverage 2010

	Item Description	Association & Philadelphia Insuresⁱ	Unit Owner Insures
*	Air Conditioner unit, built in	X	
*	Alarm systems, hard-wired installations	X	
	Attached items of extraordinary value, eg Waterford Chandelier		X
*	Attached shelving and built-in storage units	X	
*	Attached wall coverings, including paneling, tile, mirrors	X	
*	Auxiliary heating units, attached to wall or baseboard	X	
	Balconies, decks, and patios	X	
*	Basement, finished	X	
	Building structure, including foundation, exterior walls, roof	X	

Examples of Responsibility For Insurance Coverage 2010

	Item Description	Association & Philadelphia Insuresⁱ	Unit Owner Insures
*	Cabinets and countertops	X	
*	Carpeting or other attached floor coverings (wood, tile, etc.)	X	
	Debris removal	X	
*	Electric wiring, including switches, outlets, conduit and boxes	X	
*	Exposed pipes within unit	X	
*	Exterior doors, including hardware	X	
*	Finished ceilings, including crown moldings	X	
*	Fireplaces, including built-in fire screens	X	
*	Furnace, A/C, Heat Pump, including ducting, thermostat, humidifier	X	
	Furniture		X
*	Garage door openers	X	
	Garage Doors, overhead and service	X	
*	Garbage disposal	X	
*	Hot water heater	X	
*	Interior Electric fixtures, including ceiling lights, fans	X	
*	Interior Paint, prime coat only	X	
*	In-wall wiring for TV, telephone, computer and sound systems	X	
*	Kitchen Appliances, Counter Range and Dishwasher	X	
	Kitchen Appliances, Refrigerator, Stove with finished sides		X
	Patio fences and gates	X	
	Personal Effects, clothing, food, books, anything movable		X
*	Pipes within walls and floors	X	
*	Plumbing fixtures, tubs, toilets, sinks, faucets, lines	X	
*	Smoke detectors	X	
	Wall Paper (including vinyl and fabric) and Finish Paint		X
	Washer and dryer		X
	Washer and dryer hoses and attached vent pipes		X
*	Windows/ skylights	X	

- * Improvements and Betterments (I&B) are all items (upgrades, improvements, additions or remodels) that were installed after the unit was originally sold by the developer and are not "standard" grade. Even original finished basements in some units that were installed by the developer are not "standard". Items that are movable, not built in, may be considered personal property and not an I&B item. I&B coverage is included in the current 2010 Philadelphia policy (with the \$5000 deductible per incident). Each of the thirteen LBS Condo Association Boards is empowered by the Illinois Condo Law to charge back the deductible to the unit owner if they choose.

ⁱ The items in the following column are insured beyond the Association's \$5,000 deductible.