



Lake Barrington Community Homeowners Association

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2011 Insurance Information for LBS Unit Owners (Revised Jun 2011)

Introduction

Condominium home insurance has some aspects that differ from non-condominium home insurance. The unit owner's property risks are covered by two separate insurance policies, one taken out by his Condominium Association and the other by the unit owner.

Each of the thirteen The 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 for the buildings and units up to the interior surface of the walls and ceilings.

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 cover 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.

Section 12 of the Illinois Condominium Act (ICA)

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.

However this conventional condominium property policy does 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.

Therefore, the usual association's insurer would pay to rebuild the individual unit to the point of bare floors and one coat of primer on the walls. If the unit owner can establish that certain fixtures were installed by the developer, the cost of those fixtures would be covered under the

association policy as well. LBS Condominium Associations' insurance goes beyond conventional association insurance and does include improvements and betterments coverage.

LBS Association Coverage

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 Improvements and Betterments Coverage

The current 2011 LBS Association insurance goes beyond usual condo policy and also covers improvements and betterments as a primary coverage and for full replacement cost. This is a valuable addition to the policy that can benefit unit owners and has not increased the premium cost to the condominium association. While improvements and betterments coverage is included in the LBS Association policies there still are many reasons that a unit owner may also want to carry some amount of "Property Coverage A" insurance (that also includes improvements and betterments) in his HO-6 policy. Here and below, it is recommended that this be a topic of review with the units owner and his insurance representative.

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 subsistence), earthquake, acts of war or terrorism, deterioration, wear and tear, faulty workmanship, contamination and nuclear hazard.

Condominium 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 condo 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

This is not a recommendation of what insurance you should buy. It is important that you talk with your own agent or broker for more details.

Chargeback of Association Deductible to Unit Owner

The LBS Condo Association policy carries a \$2,500 per incident deductible. The Illinois Condominium Property Act grants certain rights to associations regarding the handling of deductibles under association insurance policies, including the right to assess the deductible amount against an owner who caused damage or from whose unit the damage or cause of loss originated. An owner's particular association can charge this deductible amount to the owner after a hearing, if requested, and through a Board vote. In selecting a Homeowner policy, the unit owner needs to make sure the HO-6 insurer will cover this risk to the unit owner. HO-6 Condo Insurance policies 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.

Loss Reporting Procedures

As soon as a unit owner discovers a loss, which is an insured perils (see page 2) he should immediately report the loss to the LBS management office and to the unit owner's own HO-6 insurance carrier, generally by calling his insurance agent.

Responsibility For Covered Perils Insurance Coverage

2011

Item Description	Association & Philadelphia Insures	Unit Owner Insures
* Air Conditioner unit, built in	X	
* Alarm systems, hard-wired installations	X	

Attached items of extraordinary value, e.g. 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	
* 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 (incl. 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 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 2011- Philadelphia policy (with the \$2,500 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.

NOTE: The party responsible for maintaining these items may differ from the party responsible for insurance. For example: the association policy insures the furnace, the unit owner is responsible for required periodic maintenance and cleaning.

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June 2011

Effective under each Association's Philadelphia's Insurance coverage