



Daylesford Lake

September 20th, 2006

Subject: Insurance Policies

Dear Homeowner,

The Daylesford Lake Condominium Association Board of Directors has decided to change our community insurance carrier and master policy, securing a savings of more than \$10,000 per year. The master insurance policy from the new carrier, which is effective as of June 30, 2006, includes changes that may impact your current personal Condominium Owner's (HO-6) policy, as detailed below.

The new St. Paul Travelers master policy has two major changes versus the previous State Farm policy:

- **Deductible:** The deductible has been reduced from \$50,000 to \$25,000 per occurrence. *With this change, you may be able to reduce coverage for this deductible on your personal Condominium Owner's (HO-6) policy.*
- **Coverage of Improvements Made to Your Unit:** The previous State Farm policy covered all improvements made to your unit since it was built. *The new Travelers policy **does not** cover the cost of repairs or replacement for these improvements. Please contact your personal insurance carrier to ensure that you are covered for any improvements.*

The enclosed letter from Smith Insurance Associates, our Association agency, explains these changes and provides more detail on how the new policy might impact your personal homeowner's insurance policy.

We highly recommend that you contact your personal insurance agent to review your policy and make sure that it is consistent with the Association's new master policy, and adequate to meet your personal needs.

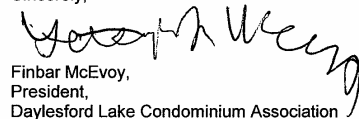
The two key questions you may want to ask your personal agent are:

- 1) If something were to happen, will my personal HO-6 insurance policy cover the first \$25,000 of damage to my unit not covered by the Association's master policy (i.e., the deductible)?
- 2) If something were to happen, will my personal HO-6 insurance policy cover the cost of any improvements I have made to my unit since it was built?

By ensuring that you have adequate coverage for your unit, you will not only protect your investment in your home, but will also reduce the chance of suffering a financial loss in the event that you have to make an insurance claim.

The attached FAQs have been prepared to answer some questions you may have regarding this matter. If you have additional questions about the Association's master insurance policy, please contact Brian Friel of Smith Insurance at (215) 542-5959, ext. 115.

Sincerely,


Finbar McEvoy,
President,
Daylesford Lake Condominium Association

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**Questions and Answers Regarding
Changes to the Community Master Insurance Policy**

Q: Why did the Board decide to make changes to the Daylesford Lake community master insurance policy?

A: The Board decided to make changes to the master policy to ensure it is written in accordance with the Declaration of Condominium for Daylesford Lake, which is also in accordance with the Uniform Condominium Act. The portion of the Declaration that is regarding insurance (page 17) is as follows:

"The Executive Board shall obtain or cause to be obtained blanket "all-risk" hazard insurance coverage covering damage to property, insuring the following (the "Insurable Property"); (i) all of the Common Elements, including fixtures and equipment therein and thereof, and including all personal property owned by the condominium association and (ii) the Dwelling Units, including such fixtures, equipment, or other property within the Dwelling Units which are originally provided by the Declarant in the Dwelling Units but **exclusive of improvements and betterments** installed in the Units by the Owners and exclusive of personal property owned by the Owners."

The Association has been able to secure savings of more than \$10,000 per year (nearly 24%) by making changes to the master policy, and transferring it from State Farm to St. Paul Travelers.

Q: What are the major differences between the new policy and the old policy?

A: The new St. Paul Travelers masters policy has two major changes versus the previous State Farm policy:

- **Deductible:** The deductible has been reduced from \$50,000 to \$25,000 per occurrence.
- **Coverage of Improvements Made to Your Unit:** The previous State Farm policy covered all improvements made to your unit since it was built. The new Travelers policy **does not cover** the cost of repairs or replacement for these improvements.

Q: How do the policy changes affect me?

A: The changes to the master policy may affect your personal Condominium Owner's (HO-6) insurance policy. Since the master policy's deductible has been reduced from \$50,000 to \$25,000, you may be able to reduce coverage for this deductible on your personal policy. Also, since the new master policy doesn't cover improvements that were made to your unit since it was built, you may want to add coverage for any improvements to your personal policy.

Q: Since the master policy now has a deductible of \$25,000 per occurrence, does that mean that I am responsible for paying the first \$25,000 to rebuild my unit if there is a fire in my unit?

A: Yes. However, that's where your personal condominium owner's policy comes in. Your policy should include a minimum of \$25,000 for Dwelling or improvements and betterments coverage so that you don't have to pay these costs out-of-pocket.

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Q: What types of things are considered "improvements" that aren't covered by the master policy?

A: The master policy will not cover improvements to "fixtures, equipment or other property" within the units as they were originally built. This includes improvements made to cabinets, flooring and appliances, or finishing a basement or loft.

Q: Since my unit was built, I finished the basement, installed new counters, cabinets and appliances, and installed hardwood floors. Are these items covered by the master policy?

A: No. These are good examples of improvements that should be covered under your personal condominium owner's policy. In this example, in the event of loss, the master policy would only cover replacement of an unfinished basement, and builder-grade cabinets, flooring/carpeting, appliances, etc.

Q: Since I wasn't the original owner of my unit, I'm not sure what improvements were made to it before I owned it. How would I know which components were originally installed in my unit, and which components are improvements or upgrades, made after my unit was built? How would the insurance company know?

A: If you aren't the original owner of your unit, you may not know exactly which components were originally installed in your unit, and which are considered improvements. In this case, the insurance agent advises you to assume that the minimum was installed when the unit was built, and that anything that could be perceived as an upgrade (granite countertops are a good example) should be insured on your personal HO-6 policy. In the event of loss, the adjuster for the Association's insurance company, with no proof that upgrades were originally included in the unit, will adjust the claim based on builder-grade cabinets, flooring, appliances, etc., based on like-kind and quality of other homes in the community.

Q: Can I obtain a copy of the new Daylesford Lake community master insurance policy?

A: To review the Daylesford Lake community insurance master policy please contact Ann DiGiacomo at (610) 407-4347.

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