

AUDUBON TRACE CONDOMINIUM ASSOCIATION, INC.

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ANSWERS TO YOUR QUESTIONS ABOUT INSURANCE COVERAGE



The Board issued a letter to all owners August 28, 2007, about insurance coverage and your responsibility for maintaining the equipment in your Unit. Some owners have asked for further explanation of the insurance coverage, specifically which parts, if any, of your Unit are insured by the Association. In the Association's Master policy with State Farm, Exclusion Endorsement FE-6382, (the complete sentence, omitting the formatting codes) states:

[T]he policy does not cover fixtures, improvements and alterations that are a part of the building or structure *contained within units and owned by a unit owner*. [Emphasis added]

The Exclusion then further explains this sentence, by reaffirming that the endorsement does not apply to the Common Elements and Limited Common Elements – i.e., property in which each Unit owner has an undivided interest:

This endorsement does not apply to any property described above in which each of the Condominium/Association unit-owners has an undivided interest.

To find out how State Farm interprets this language, you would have to ask State Farm, since State Farm does not define these terms in the Policy. But the Association interprets this language, when read together with the rest of the Policy, and when read together with the Association's "Declaration", to mean that the exclusion applies to all of the parts of each Unit that are owned by the Unit owner. That is, the Association *does not have coverage* for any part of your Unit that you own and that you, as the owner, have the right to change, alter, modify, and/or improve without first obtaining the Board's approval.

For example, if you want to remodel your kitchen, and change the cabinets, counter tops, sink, faucet, light fixture, flooring, wall covering, and appliances, you can do so without any approval from the Association; therefore, none of these components ("fixtures that are part of a building contained within a unit and owned by a unit owner") are part of the Common Elements or Limited Elements – they are your property, and they are not insured by the Association, nor is the Association responsible for maintaining or repairing them. The exterior of your Unit (including the windows and doors), is, however, part of the Common Elements, and cannot be changed, altered, or modified without the Board's prior approval.

Ask yourself this question – When I bought my unit, did I buy _____ "x" [fill in the name of some part of your unit], or did I buy only a percentage of "x"? Did I buy the kitchen cabinets? Did I buy the carpeting? If you bought it, then you are responsible for it. If you only bought a percentage of it (like a patio, balcony, porch, swimming pool), then the Association is responsible for it.

Our "Declaration" defines the boundaries of a Unit as the finished, but undecorated interior surfaces of perimeter walls, perimeter floors, and perimeter ceilings. Everything within the boundaries of your Unit is your property, and is, therefore, excluded from coverage under the Association's Master Policy, whether for a casualty loss or for flood damage. This is how the Association interprets the language in State Farm's policy, and it is consistent with our "Declaration".

We trust that the above explanation answers any question you might still have about this important issue.

Very truly yours,

The Board of Directors