

**ARTICLE 8
INSURANCE**

8.1 Scope of Coverage.

(a) ~~_____~~ A. Policies. The Board ~~of Directors~~ shall obtain and maintain at all times, to the extent reasonably available, policies of insurance, written with financially responsible and able companies licensed to do business in Pima County, Arizona, covering the risks set forth below:

~~_____ (1.—) Property insurance on the Common Elements against loss or damage by fire and lightning, and such other hazards as are customarily covered in condominium projects in Pima County, Arizona, under special risk coverage forms. Said casualty insurance shall insure the entire condominium and any property, the nature of which is a Common Element or Limited Common Element, together with all service equipment contained therein in an amount equal to the full replacement value, without deduction for depreciation issued under a standard form "All Risk of Direct Physical Loss Form" in an amount equal to not less than eighty percent (80%) of the current replacement cost of the insured property, exclusive of land, excavations, foundations and other items normally excluded from a property insurance policy.—~~

~~(2.— If the condominium is located in an area identified by the Secretary of Housing and Urban Development as an area having special flood hazards, and the sale of flood insurance has been made available under the National Flood Insurance Act of 1968, a "blanket" policy of flood insurance on the condominium in an amount which is the lesser of the maximum amount of insurance available under the aforesaid Act or the aggregate of the unpaid principal balances of the first mortgages on the condominium units comprising the project.—~~

~~_____ 3.) Broad form comprehensive general liability insurance in such limits as the Board of Directors may from time to time determine, but not in an amount less than One Million Dollars per occurrence. Such insurance shall cover all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Common Elements. Coverage shall include, without limitation, liability for personal injuries; operation of automobiles on behalf of the Association; any legal liability that results from lawsuits related to employment contracts in which the Association is a party; and activities in connection with the ownership, operation, maintenance and other use of the condominium.~~ Condominium. All liability insurance shall name the Association, the Board, and the managing agent, ~~first mortgagees, the Owners and the officers of the Association,~~ as insureds thereunder.

~~_____ 4.~~ (3) Workmen's compensation and employer's liability insurance, and all other similar insurance with respect to any employees of the Association in the

amounts and in the forms now or hereafter required by law.

| ~~5.~~ (4) Fidelity coverage against dishonesty of employees or any
| other person handling funds of the Association, destruction or disappearance of money or
| securities and forgery. Said policy also shall contain endorsements thereto, covering any
| persons who serve the Association without compensation.

~~6.~~ (5) Directors' and officers' liability insurance (~~errors and omissions insurance~~) covering all the directors and officers of the Association in such limits as the Board of Directors may determine from time to time.

~~7.~~ (6) The Association may obtain insurance against such other risks, of a similar or dissimilar nature, as it shall deem appropriate with respect to the Condominium, including plate or other glass insurance and any personal property of the Association located thereon.

~~8. "Agreed Amount" and "Inflation Guard" endorsements.~~

~~(b)~~

B. Policy Provisions. All policies of insurance, to the extent reasonably available, shall contain the following provisions:

~~(1.)~~ Each Unit Owner shall be insured under the policy with respect to liability arising out of his/ or her ownership of an undivided interest in the Common Elements or his/ or her membership in the Association.

~~(2.) There shall be no subrogation with respect to the Association, its agents, servants, and employees against Unit Owners and members of their household.~~

~~3.)~~ No act or omission by any Unit Owner, unless acting within the scope of his/ or her authority on behalf of the Association, shall void the policy or be a condition to recovery on the policy.

~~(3) There shall be no subrogation with respect to the Association, its agents, servants, and employees against Owners and members of their household.~~

~~(4.)~~ The coverage afforded by such policy shall be primary and shall not be brought into contribution or proration with any insurance which may be purchased by Unit Owners or their mortgagees or beneficiaries under deeds of trust.

~~(5.)~~ A "severability of interest" endorsement which shall preclude the insurer from denying the claim of a Unit Owner because of the negligent acts of the Association or other Unit Owners.

~~(6.)~~ The Association shall be the insured for the use and benefit of the individual Unit Owners (~~designated by name if required by the insurer~~).

~~(7.)~~ For policies of hazard insurance, a standard mortgagee clause

providing that the insurance carrier shall notify the Association and each ~~First Mortgagee~~ **first mortgage** named in the policy at least ~~ten (10)~~ **thirty (30)** days in advance of the effective date of any substantial change in coverage or cancellation of the policy.

~~— (c) Every three (3) years, prior to the placing or renewal of any policy of casualty insurance, the Board of Directors shall obtain an appraisal from a duly qualified real estate or insurance appraiser, which appraiser shall reasonably estimate the full replacement value of the entire Condominium, without deduction for depreciation, for the purpose of determining the amount of the insurance to be effected pursuant to the provisions of this insurance section. In no event shall the insurance policy contain a co-insurance clause for less than eighty percent (80%) of the full replacement cost. Determination of maximum replacement value shall be made every three (3) years by one or more written appraisals to be furnished by a person knowledgeable of replacement costs, and each first mortgagee, if requested, shall be furnished with a copy thereof, within thirty (30) days after receipt of such written appraisals. Such amounts of insurance shall be adjusted, if necessary, in accordance with the determined maximum replacement value.—~~

~~—~~ **C.** At the sole discretion of the Board of Directors, the Association may also maintain property insurance on the Units, exclusive of improvements and betterments installed in Units by Unit Owners, issued under a standard form "All Risk of Direct Physical Loss Form" in an amount equal to the maximum insurable replacement value of the Units, as determined by the Board of Directors; provided, however, that the total amount of insurance after application of any deductibles shall not be less than eighty percent (80%) of the current replacement cost of the insured property, exclusive of land, excavations, foundations, and other items normally excluded from a property insurance policy. If, at the time of a loss insured under an insurance policy purchased by the Association, the loss is also insured under an insurance policy purchased by a Unit Owner, the Association's policy shall provide primary coverage.

D. Should the Association maintain property insurance on the Units pursuant to Section 8.1(C), and the Board of Directors decides to cancel, terminate, or not renew such insurance, the Association shall notify each Unit Owner, in writing, at least forty-five (45) days prior to the effective date of the policy's cancellation, termination, or non-renewal.

8.2— Payment of Premiums. Premiums for all insurance obtained by the Association pursuant to this Article 8 shall be a Common ~~Expenses~~ **Expense** and shall be paid for by the Association.

~~**8.3 Insurance Obtained by Unit Owners.** The issuance of insurance policies to the Association pursuant to this Article shall not prevent a Unit Owner from obtaining insurance for his/her own benefit and at his/her own expense covering his/her Unit, his/her personal property and providing personal liability coverage.~~

~~8.4~~ **8.3 Payment of Deductibles; Notification to Owners.** The responsibility for payment of the deductible applicable to any claim under the Association's property insurance which covers the Units shall be as set forth in the Board Resolution recorded in Sequence No. 20113060224 in the official records of Pima County, Arizona, as same may be amended from time to time by the Board. The Association shall inform each Owner annually in writing of both: (i) the Owner's responsibility for the deductible applicable to the Association's policy; and (ii) the amount of each deductible.

8.4 Insurance Obtained by Owners; Repair to Unit. To the extent not covered by the insurance policies obtained by the Association for the benefit of all of the Unit Owners, it shall be the obligation of each Unit Owner to carry his own property insurance on his Unit and all fixtures, furnishings, cabinets and appliances, and to provide the Association with a copy of such policy for each policy period showing its effective date and its expiration date upon request of the Association. Each policy for property insurance carried by a Unit Owner under this Section shall require that the Association receive any notice of cancellation, and upon the Association's receipt of same, the Association may obtain property insurance on the Owner's Unit and charge the Unit Owner for the cost thereof which amount shall be collectible in the same manner as an Assessment. Repair of any damage to the interior of a Unit, whether covered by the Unit Owner's property insurance or less than the deductible applicable to same, shall be completed as promptly as practicable and in a workmanlike manner.

8.5 Payment of Insurance Proceeds. Any loss covered by property insurance obtained by the Association in accordance with this Article 8 shall be adjusted with the Association and the insurance proceeds shall be payable to the Association and not to any mortgagee or beneficiary under a deed of trust. The Association shall hold any insurance proceeds in trust for ~~Unit~~ Owners and ~~lienholder~~ lienholders as their interests may appear, and the proceeds shall be disbursed and applied as provided for in A.R.S. Section 33-1253.

~~8.5-6~~ **8.5-6 Certificate of Insurance.** An insurer that has issued an insurance policy pursuant to this Article 8 shall issue certificates or memoranda of insurance to the Association and, on written request, to any ~~Unit~~ Owner, mortgagee, or beneficiary under ~~ata~~ deed of trust. The insurer issuing the policy shall not cancel or refuse to renew it until thirty (30) days after notice of the proposed cancellation or non-renewal has been mailed to the Association, each ~~Unit~~ Owner, and each mortgagee or beneficiary under a ~~Deed~~ deed of ~~Trust~~ trust to whom a certificate or memorandum of insurance has been issued at their respective last known addresses.

8.7 No Liability. The Association and its directors and officers shall have no liability to any Owner or other Person if, after a good faith effort: (i) the Association is unable to obtain insurance required under this Article 8 because the insurance is no longer available; or (ii) if available, the insurance can be obtained only at a cost that the Board, in its sole discretion, determines is unreasonable under the circumstances.