

Dear Unit Owner:

The purpose of this letter is to inform you that the insurance program for Southern Gates Townhomes Association, Inc. is being serviced by Community Management Insurance Group, LLC.

The policies cover the Association's structures and commonly owned property along with providing liability coverage for the common grounds and for the Board of Directors. The Property policy includes a **\$5,000 deductible** for all covered perils and a **1% deductible for losses caused by Wind and Hail**.

Each unit owner is responsible for maintaining adequate insurance coverage for their personal property, premises liability (at least \$300,000), and any upgrades to their internal structure including flooring, wall hangings, counters, cabinets, etc. The "HO-6" (or similar) is the appropriate policy for this exposure. Additionally, any unit owners who have tenants are encouraged to retain a copy of the tenant's HO-4 (Renter's) policy.

The HO-6 policy form includes all the coverages mentioned in the previous paragraph, with the option to add additional endorsements. It is recommended that you communicate with your agent about all available options, and be sure to inquire about the following:

- **Loss Assessment Coverage:** The coverage limit varies by insurance provider, but this endorsement will pay toward the Master Policy deductible in the event of a claim. **Be sure to inquire about a limit of at least \$5,000 to help offset a special assessment to recoup the master policy deductible in the event of a total loss.** Confirm with your agent that there is no limit on the amount of this coverage that can be applied to the Master Policy deductible.
- **Additions and Alterations:** "Coverage A" of a HO-6 policy is commonly referred to as Additions and Alterations or Improvements and Betterments. You should purchase enough coverage to replace sheetrock, flooring, ceilings, and any upgrades to ensure your unit will be built back to its present condition.
- **Water Back-Up and Sump Overflow Coverage:** This covers any personal property damaged as a direct result of water or sewage that has backed up through drains, appliances and toilets. Generally, \$25,000 is the maximum limit allowed by the state of NC for the HO-6 policy, and usually costs \$40 per year.

Please direct all mortgagee requests for evidence of insurance to coi@cmigllc.com, and they will be turned around within 48 hours.

Thank you very much,