

HUDSON TRACE, INC.

BOARD RESOLUTION

Insurance Deductibles

WHEREAS, The Hudson Trace, Inc. (the “Association”) is governed by the Declaration of Horizontal Property Regime and Declaration of Covenants, Conditions and Restrictions for Hudson Trace recorded October 12, 1984 with the Maricopa County Recorder’s Office at Document No. 1984-0446192 (the “Declaration”); and

WHEREAS, Section 9.1 of the Declaration imposes on the Association the obligation to “obtain and maintain a master policy or policies of casualty insurance covering the Common Elements and each Unit exclusive of the personal property contained therein. . .”; and

WHEREAS, Section 9.5 of the Declaration recommends that “Each Owner shall be free to obtain such additional or other insurance as he deems desirable, including insurance covering his furnishings and personal property, including by way of illustration, but not of limitation, any additional, alterations and improvements he may have made to his Unit, and covering personal liability of himself and his employees, agents and invitees and any other persons for whom such Owner may be responsible”; and

WHEREAS, Section 12 of the Declaration provides as follows: “Each Owner shall furnish and be responsible for, at his own expense, all of the maintenance, repairs and replacement within his own Unit and of any portion of the air conditioning, electrical cooling and heating systems and lines which exclusively serve his Unit; and each Owner shall keep the patio and balcony areas, if any, adjacent to his Unit in a neat, clean, and attractive condition. If, due to the willful or negligent act of an Owner or a member of his family or guest or other occupant or visitor of such Owner, or other person for whom such Owner may be responsible, damage shall be caused to the Common Elements or to a Unit or Units owned by others or maintenance, repairs or replacements shall be required which would otherwise be a Common Expense, then such Owner, if liable for such damage under local law, upon receipt of a statement from the Board shall pay for such damage and for such maintenance, repairs and replacements as may be determined by the Board”; and

WHEREAS, Section 4 of the Declaration provides that “The Association shall serve as the governing body for all of the Owners for the protection, improvement, alteration, expansion, augmentation, disposal, divestment, redescription, maintenance, repair, replacement, administration and operation of the Property, the assessment of expenses, payment of losses, disposition of hazard insurance proceeds received by the Association, and other matters as provided in the Act, in this Declaration, in the Articles of Incorporation of the Association . . . and in the Bylaws of the Association . . .”; and

WHEREAS, Section 9 of the Declaration requires the Association to obtain casualty and liability insurance and provides that “the cost and expense of all insurance obtained by the Association, **except insurance** covering additional, alterations or improvements made to a Unit or Restricted Common Elements by an Owner or other insurance obtained **at the request of and specifically benefitting any particular Owner**, shall be a Common Expense” (emphasis added); and

WHEREAS, the Association adopted as part of its Rules and Regulations the following language: “**It is strongly recommended** that each homeowner carry a separate policy for personal contents and personal liability” (emphasis in original); and

WHEREAS, the Association’s casualty and insurance policy, which was purchased by the Association as a Common Expense, is currently written with a \$10,000.00 deductible, but which may be written in the future with such deductible amount as may be determined by the Board of Directors to be in the best interests of the Association; and

WHEREAS, A.R.S. §33-1255(C)(2), which states in part that “[a]ny common expense or portion of a common expense benefitting fewer than all of the units shall be assessed exclusively against the units benefitted”; and

WHEREAS, the Association’s Board of Directors wishes to pass a resolution confirming that Owners are specifically requested to obtain insurance to cover any deductible incurred related to a claim benefitting the Unit of any Owner, and to confirm that such Unit Owner(s) is responsible for payment of any deductible associated with a claim filed in connection with damage to such Owner’s Unit, and is further responsible for the costs of repairs for which there may not be insurance coverage due to the damage not exceeding the deductible.

NOW, THEREFORE, the Association resolves as follows:

1. All Owners who file a claim against the Association’s casualty insurance policy (or on whose behalf such claims are filed) shall be responsible for any insurance deductibles incurred as a result of the claim.
2. All Owners are specifically requested to obtain whatever insurance is necessary (i.e., gap coverage, or an HO6 policy or similar coverage) to cover the cost of any deductible that may be charged when a claim is filed against the Association’s casualty insurance policy (hereafter “Gap Coverage”), as such Gap Coverage will specifically benefit each Owner who purchases it.
3. Any Owners who purchase Gap Coverage will be required to promptly file a claim under such policy if a claim is also filed against the Association’s policy where the proceeds will be used to repair or rebuild such Owner’s Unit. Any such Owner may be required to provide the information regarding the Gap Coverage to the Association to allow the Association to file a claim under the Gap Coverage on behalf of such Unit Owner. If the proceeds under any Gap Coverage are inadequate to pay the full amount of the deductible, the Unit Owner whose Gap Coverage was inadequate and whose Unit benefitted from the proceeds of the Association’s policy will be required to pay any shortfall.
4. Any Owner who disregards the Association’s injunction to purchase Gap Coverage will be required to pay directly any deductible incurred as a result of a claim filed where the proceeds benefit the Owner’s Unit.
5. In the event any Owner fails to purchase gap Coverage, or fails to purchase adequate Gap Coverage, the costs of any deductible may be charged solely to the Owner filing the claim against the Association’s insurance policy (or on whose behalf the claim was filed) or the same may be charged in whole or in part to such Owner and any other Owner(s) benefitting from any payment made by the insurance company as a result of the claim.

6. The Board of Directors shall have the sole discretion to determine the proper method for charging any portion of a deductible to one or more Owners where Gap Coverage does not exist to pay the same.

7. Where Gap Coverage has not been purchased or is inadequate, the Board of Directors shall also have the sole discretion to determine the proper method for collecting deductibles from Owners, whether it be (by way of illustration and not by way of limitation) through deducting any amount directly from proceeds received by the insurance company or by charging the deductible to the Owner's account as an Assessment, or by any other lawful method.

8. Damage sustained by a Unit arising from that Unit Owner's neglect or willful misconduct in an amount less than the Association's deductible shall be considered a loss for which there is no insurance coverage, and the Unit Owner filing the claim (or on whose behalf the claim was filed) shall be responsible for the costs of the repairs.

9. Any amounts charged to an Owner's account pursuant hereto shall be deemed an Assessment and shall be collected in the same manner as other Assessments to the extent allowed by the Governing Documents and by law.

10. All Owners are responsible for obtaining any and all insurance they may deem necessary or prudent in view of this Resolution and in view of the insurance provisions of the Declaration.

The foregoing was adopted by the Board of Directors of the Association at a duly called and noticed open meeting on the 17th day of November, 2020.

HUDSON TRACE, INC.

By: _____

Its: _____