

Country Club Villas Homeowners' Association  
5200 Villa View Drive - #21A  
Farmington, New Mexico 87402

All Homeowners  
Country Club Villas of Farmington  
5200 Villa View Drive - #21A  
Farmington, New Mexico  
87402

15 June 2014

Dear Homeowner,

During November and December of 2013, the Board of Directors initiated a dialogue with Mr. Kent Wilson, our local agent representing State Farm Insurance. Our primary concern was whether our limits of coverage for the Homeowners Association had been maintained at appropriate levels during the extended period of years we have been covered by State Farm Insurance. Thanks to the diligence of our previous Board members and annual review after annual review, the answer is basically, "Yes!" Replacement of facilities due to fire, wind, or natural disaster (except flooding) is certainly defensible at the current level. It was pointed out, however, that our limit of general liability had not kept pace with the level of monetary awards from modern lawsuits – especially those related to pool and spa issues. The Board has doubled the previous liability coverage, which has increased the insurance premium by a relatively nominal amount.

There are three (3) levels of insurance which affect Homeowners and residents at Country Club Villas. And it is a fact of life that the Board of Directors is only responsible for Level 1 – which affects all members of the Association in case of a common loss.

You, as Homeowners, are responsible for Level 2 – which affects individual interests in individual units in case of common loss or limited individual loss for amenities inside the units, but excluded from the scope of the primary Association Policy. Such items include the mechanical systems and electrical systems, and "interior amenities" which are not considered part of the building structure. In case of an individual loss, there may be items which would be covered by the Associations primary policy (such as smoke damage in adjacent units; and in case of common loss (or individual loss) coverage of the primary Association policy will be subject to a \$10,000 deductible amount before benefits are paid. As an individual Homeowner, you have the ability to indemnify yourself against participation in repayment of the deductible amount by the manner in which you choose to structure your personal Homeowner policy. For Homeowners who choose to ignore this consideration, the Board of Directors will be obligated to issue a special assessment to recover the \$10,000 from each owner personally. For those who have built the indemnification into their personal policies, the Board would recover their portion from their personal insurance carriers.

All Homeowners

15 April 2014

Page 2

Level 3 insurance is that carried by tenant residents (otherwise referred to as “renters insurance”, which covers the tenants personal property and contents. “Renters insurance” may also include provisions for temporary housing in the event the unit should be temporarily un-inhabitable due to smoke attenuation, painting, etc. Level 3 insurance is of little or no concern to the Board of Directors. It is a contractual matter between owner and tenant – often administered by a “rental agent”.

The Board of Directors is hereby asking for each Homeowner to provide to the Board a copy of, or preferably a synopsis of, the Level 2 insurance for each of their units for our file. This can be easily accomplished by simply calling your insurance agent and providing our above address for them to mail the information. We have no enforcement authority for this request, but we view it as a highly desirable “expediter” for us to respond to a potential loss – God forbid.

Thank you for your consideration,

Country Club Villas Homeowners Association Board of Directors

Gary L. Graham, President