

ARTICLE VI
INSURANCE AND CASUALTY LOSSES

Section 1. Insurance. The Association's Board of Directors, or its duly authorized agent, shall have the authority to and shall obtain blanket "all-risk" property insurance, if reasonably available, for all insurable improvements on the Common Area. If blanket "all-risk" coverage is not reasonably available, then at a minimum an insurance policy providing fire and extended coverage shall be obtained. The face amount of such insurance shall be sufficient to cover the full replacement cost of any repair or reconstruction in the event of damage or destruction from any insured hazard.

The Association shall have no insurance responsibility for any part of any Lot or Private amenity.

The Board shall also obtain a public liability policy covering the Common Area, insuring the Association and its Members for all damage or injury caused by the negligence of the Association or any person for whose acts the Association is held responsible. The public liability policy shall have at least a one million (\$1,000,000.00) dollar single person limit as respects bodily injury and property damage, at least a three million (\$3,000,000.00) dollar limit per occurrence, if reasonably available, and at least a five hundred thousand (\$500,000.00) dollar minimum property damage limit.

Premiums for all insurance on the Common Area shall be Common Expenses, subject to the right of the Association to seek reimbursement for all or a portion of such expenses pursuant to this Declaration.

Insurance policies may contain a reasonable deductible, and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the insurance at least equals the coverage required hereunder. The deductible shall be paid by the party who would be liable for the loss or repair in the absence of insurance and in the event of multiple parties shall be allocated in relation to the amount each party's loss bears to the total. All insurance coverage obtained by the Association shall be governed by the following provisions:

- (a) All policies shall be written with a company, authorized to do business in Texas which holds a Best's rating of A or better and is assigned a financial size category of XI or larger as established by A.M. Best Company, Inc., if reasonably available, or, if not available, the most nearly equivalent rating which is available.
- (b) All policies on the Common Area shall be for the benefit of the Association and its Members and shall be written in the name of the Association for the benefit of the Association.
- (c) Exclusive authority to adjust losses under policies obtained on the Common Area shall be vested in the Association.
- (d) In no event shall the insurance coverage obtained and maintained by the Association hereunder be brought into contribution with insurance purchase by individual Owners, occupants, or their Mortgages.
- (e) All property insurance policies shall have an inflation guard endorsement, if reasonably available, and
- (f) The Association shall use reasonable efforts to secure insurance policies that will provide the following:
 - (i) A waiver of subrogation by the insurer as to any claims against the Association's Board of Directors, officers, employees and manager,

ARTICLE VI
INSURANCE AND CASUALTY LOSSES

the Owner and occupants of Lots and their respective tenants, servants, agents, and guests;

- (ii) A waiver by the insurer of its rights to repair and reconstruct, instead of paying cash;
- (iii) A statement that no policy may be canceled, invalidated, suspended, or subject to nonrenewal on account of any one of more individual Owners;
- (iv) A statement that no policy may be canceled, invalidated, suspended, or subject to nonrenewal on account of any curable defect or violation without prior demand in writing delivered to the Association to cure the defect or violation and the allowance of reasonable time thereafter within which the defect may be cured by the Association, its manager, any Owner, or Mortgagee;
- (v) A statement that any "other insurance" clause in any policy exclude individual Owner's policies from consideration; and
- (vi) A statement that the Association will be given at least thirty (30) days prior written notice of any cancellation, substantial modification, or non-renewal.

In addition to the other insurance required by this Section, the Association shall obtain as a Common Expense, worker's compensation insurance, if and to the extent required by law, directors' and officers' liability coverage, a fidelity bond or bonds on directors, officers, employees, and other persons handling or responsible for the Association's funds, and flood insurance, if reasonably available. The amount of fidelity coverage shall be determined in the directors' best business judgment, but, if reasonably available, may not be less than one-sixth (1/6) of the annual Base Assessments on all Lots, plus reserves on hand. Bonds shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation and shall require at least thirty (30) days prior written notice to the Association of any cancellation, substantial modification, or non-renewal.

Section 2. Individual Insurance. By virtue of taking title to a Lot subject to the terms of this Declaration, each Owner covenants and agrees with all other Owners and with the Association that such Owner shall carry homeowners insurance on the Lot(s) and structures constructed thereon. Each Owner further covenants and agrees that in the event of loss or damage to the structures comprising his Lot, the Owner shall either: (a) proceed promptly to repair or to reconstruct the damaged structure in a manner consistent with the original construction or such other plans and specifications as are approved by the Architectural Control Committee; or (b) clear the Lot of all damaged structures, debris and ruins and thereafter maintain the Lot in a neat and attractive landscaped condition consistent with the requirements of the Architectural Control Committee and the Association Board of Directors.

ARTICLE VI
INSURANCE AND CASUALTY LOSSES

Section 3. Damage and Destruction.

- (a) Immediately after damage or destruction by fire or other casualty to all or any part of the Properties covered by insurance written in the name of the Association, the Board of Directors or its duly authorized agent shall proceed with the filing and adjustment of all claims arising under such insurance and obtain reliable and detailed estimates of the cost or repair or reconstruction of the damaged or destroyed Properties. Repair or reconstruction, as used in this paragraph, means repairing or restoring the Properties to substantially the same condition in which they existed prior to the fire or other casualty, allowing for any changes or improvements necessitated by changes in applicable building codes.
- (b) Any damage or destruction to the Common Area shall be repaired or reconstructed unless the Voting Members representing at least seventy-five (75%) of the total Class "A" vote of the Association, shall decide within in (60) days after the casualty not to repair or reconstruct. If for any reason either the amount of the insurance proceeds to be paid as a result of such damage or destruction, or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not made available to the Association within said period, then the period shall be extended until such funds or information shall be made available; provided, however, such extension shall not exceed sixty (60) additional days. Except as expressly provided herein, no Mortgagee shall have the right to participate in the determination of whether the damage or destruction to Common Area or common property of the Association shall be repaired or reconstructed.
- (c) In the event that it should be determined in the manner described above that the damage or destruction to the Common Area shall not be repaired or reconstructed and no alternative improvements are authorized then and in that event the affected portion of the Properties shall be cleared of all debris and ruins and maintained by the Association in a neat and attractive, landscaped condition.

Section 4. Disbursement of Proceeds. If the damage or destruction for which the proceeds of insurance policies held by the Association are paid is to be repaired or reconstructed, the proceeds, or such portion thereof as may be required for such purpose, shall be disbursed in payment of such repairs or reconstruction as hereinafter provided. Any proceeds remaining after defraying such costs of repair or reconstruction, or if no repair or reconstruction is made, any proceeds shall be retained by and for the benefit of the Association.

Section 5. Repair and Reconstruction. If the damage or destruction to the Common Area for which insurance proceeds are paid is to be repaired or reconstructed, and such proceeds are not sufficient to defray the cost thereof, the Board of Directors shall, without the necessity of a vote of the Members, levy a special assessment against the Owners of Lots sufficient to raise the additional funds necessary to restore the

ARTICLE VI
INSURANCE AND CASUALTY LOSSES

Common amenity. Additional assessments may be made in like manner at any time during or following the completion of any repair or reconstruction.