

HERITAGE HARBOUR COMMUNITY ASSOCIATION, INC.

ADMINISTRATIVE RESOLUTION NO. 4

ASSOCIATION INSURANCE

WHEREAS, Article IX, Section 1, of the By-Laws of the Heritage Harbour Community Association (the Association) requires the Board of Directors to obtain and maintain insurance adequate to protect the Association from losses.

WHEREAS, Article IX, Section 2, of the By-Laws of the Association requires the Board of Directors to review and approve annually the details of the Association's insurance program.

WHEREAS, Article VII, Section 1, of the By-Laws of the Association requires the Association to indemnify every officer and director of the Association against any and all expenses reasonably incurred by or upon any officer or director in connection with any action, suit or other proceeding to which he/she may be made a party by reason of being or having been an officer or director of the Association.

WHEREAS, Article VI, Section 1, of the Declaration of Covenants for Heritage Harbour provides that assessments paid by members may be used for the cost of fire and extended liability insurance on the Common Areas and the cost of such other insurance as the Association may effect.

WHEREAS, by Policy Resolution No. 1 the Board of Directors set forth its authority and intention to establish policies and procedures deemed necessary for the efficient and effective administration of the Association and for carrying out the affairs of the Association.

RESOLVED, that the following policies and procedures are established for the maintenance of an insurance program for the Association.

I. Responsibilities of the Board of Directors.

A. Review Insurance Coverage. At least annually, or ninety (90) days prior to the expiration of the Association's insurance policy, the Management Agent shall review the insurance carried by the Association to ensure that it reflects current values and coverages. The President may appoint an ad hoc committee composed of three or more Class A members to carry out the review and to make recommendations to the Board of Directors.

B. Maintain Adequate Insurance Coverage. The insurance carried by the Association must provide for at least the following.

1. Casualty or physical damage insurance in an amount equal to the full replacement value (i.e., 100% of "replacement cost" exclusive of land, foundation and excavation) of the common areas and community facilities (including all building service equipment and the like) with an "agreed amount" endorsement, if reasonably available, without deduction or allowance for the depreciation, (as determined annually by the Board of Directors with the assistance of the insurance company affording such coverage), such coverage to afford protection against at least the following:

a. loss or damage by fire or other hazards covered by the standard extended coverage endorsement;

b. such other risks as shall customarily be covered with respect to property similar in construction, location and use, including, but not limited to, cost of demolition, vandalism, malicious mischief, windstorm, water damage, machinery explosion or damage, and such other insurance as the Board of Directors may from time to time determine; and

2. Public liability insurance, with a "severability of interest" endorsement, in such amounts and in such forms as may be considered appropriate by the Board of Directors including, but not limited to water damage, legal liability, hired automobile, non-owned automobile, liability for property of others, and any and all other liability incident to the ownership and/or use of the common areas and community facilities or any portion thereof; and

3. Workmen's compensation insurance to the extent necessary to comply with any applicable law; and

4. A "Legal Expense Indemnity Endorsement", or its equivalent affording protection for the officers and directors of the Association for expenses and fees incurred by any of them in defending any suit or settling any claim, judgement or cause of action to which any such officer or director shall have been made a party by reason of his or her services; and

5. Such other policies of insurance, including insurance for other risks of a similar or dissimilar nature and fidelity coverage considered appropriate by the Board of Directors.

II. Responsibilities of the Management Agent.

A. Selection of an Insurance Agent or Broker. The Management Agent shall, in consultation with the Board of Directors, select an agent or broker to obtain insurance policies for the Association and to provide advice and assistance to the Association on insurance matters. All policies shall conform to the following.

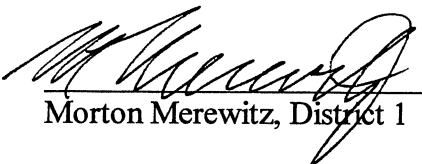

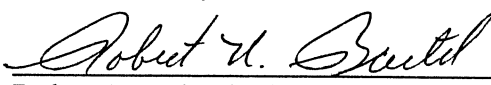
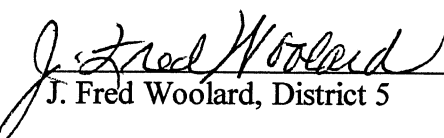
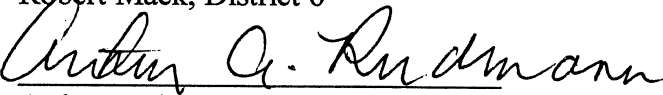
1. The policies must be written with a company or companies licensed to do business in the State of Maryland and holding a rating of "A" or better in Best's Insurance Guide.

2. All policies shall provide that such policies may not be canceled or substantially modified without at least thirty (30) days' written notice to any and all insureds named thereon.

3. All policies shall contain a waiver of any defense based upon co-insurance or invalidity arising from the acts of the insured.

B. Insurance Claims. The Management Agent shall file claims for losses on behalf of the Association. Claims should be approved by the Board of Directors before filing. Except that, the Management Agent may not negotiate losses without the approval of the Board of Directors.

C. Certificates of Insurance. The Management Agent shall assure that all contractors of the Association shall have proper insurance, and shall maintain on file Certificates of Insurance from all contractors of the Association.

	Yes	No	Abstain
 Morton Merewitz, District 1	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ABSENT Frederick H. Lamartin, District 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Edward Elliott, District 3	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Robert Bartel, District 4	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 J. Fred Woolard, District 5	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ABSENT Robert Mack, District 6	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
 Arthur Rudmann, District 7	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Duly approved at a regular meeting of the Board of Directors on January 11, 2000.


Frederick Lamartin, President, Heritage Harbour Community Association, Inc.

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- a. loss or damage by fire or other hazards covered by the standard extended coverage endorsement;
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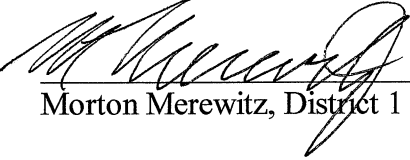
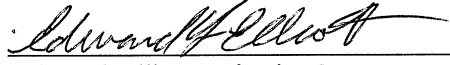
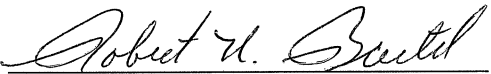
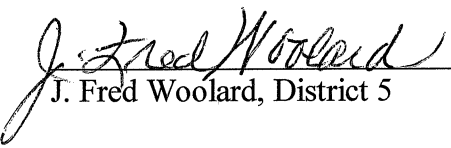
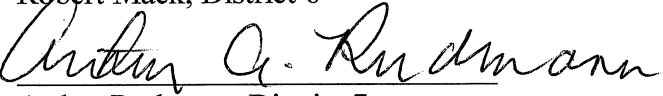
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