LONG REEF CONDOMINIUM ASSOCIATION, INC
WINDSTORM SELF-INSURANCE POLICY

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1. Purpose and Authority

This policy establishes a self-insurance windstorm program (“Program”) administered by the Association to provide limited coverage for Association-maintained structures and common elements when damaged by named storms, tropical storms, hurricanes, or other wind-related events. The Program is authorized under the Association’s governing documents and is funded exclusively through assessments, reserves, and special assessments as outlined herein.

The Program is **not** a substitute for individual unit owner insurance. Owners remain responsible for insuring their own property as described in Section 4.

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2. Scope of Coverage

The Program covers only those components the Association is legally obligated to maintain or replace under the governing documents.

2.1 Covered Property

- Structural components of buildings owned or maintained by the Association (roof systems, exterior walls, load-bearing elements).
- Common elements such as hallways, stairwells, mechanical rooms, utility chases, and shared infrastructure.
- Association-owned equipment, mechanical systems, and exterior fixtures (HVAC units serving common areas, pumps, generators, lighting).
- Perimeter fencing, signage, and other common-area improvements.
- Landscaping and grounds to the extent permitted by governing documents.

2.2 Covered Perils

- Windstorm, including tropical storms and hurricanes.
- Wind-driven rain **only when it enters through a storm-created opening**.
- Flying debris impact.
- Collapse caused directly by wind forces.

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3. Explicit Exclusions

The following items are **not covered** under any circumstances:

3.1 Unit-Specific Exclusions

- **Doors and windows of individual units** (including sliders, frames, tracks, seals, shutters, and impact protection systems).
- **Interior contents** of any unit (furniture, electronics, appliances, clothing, personal property).
- Interior finishes within units (flooring, cabinets, drywall, paint, fixtures) unless the governing documents explicitly assign these to the Association—which this policy assumes they do not.

- Owner-installed upgrades or improvements.

3.2 General Exclusions

- Flooding, storm surge, or water intrusion not caused by a wind-created opening.
- Mold, rot, or deterioration resulting from delayed reporting or failure to mitigate.
- Pre-existing damage or deferred maintenance.
- Loss of rental income, business interruption, or alternative housing costs.
- Any peril not explicitly listed in Section 2.2.

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4. Owner Responsibilities

Each unit owner should maintain their own insurance policy ("HO-6" or equivalent) covering:

- **Doors and windows** (including replacement cost).
- **Interior contents** and personal property.
- Interior finishes and improvements.
- Loss assessment coverage for special assessments imposed under this Program.
- Additional living expenses if their unit becomes uninhabitable.

Failure of an owner to maintain adequate insurance does not create any obligation for the Association to cover excluded items.

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5. Coverage Matrix

Component / Item	Maintained By	Covered by HOA Windstorm Program?	Notes
Roof structure	HOA	**Yes**	Full replacement if wind-damaged
Exterior walls / siding	HOA	**Yes**	Limited to structural components
Common-area mechanical systems	HOA	**Yes**	Generators, pumps, shared HVAC
Landscaping & signage	HOA	**Yes**	Subject to funding availability
Unit doors (entry, balcony, sliders)	Owner	**No**	Owner must insure
Unit windows / glass	Owner	**No**	Owner must insure
Unit interior finishes	Owner	**No**	Flooring, drywall, cabinets
Unit contents	Owner	**No**	Furniture, electronics, etc.
Water damage not caused by wind-created opening	N/A	**No**	Not a covered peril
Flood / storm surge	N/A	**No**	Requires separate flood insurance

6. Claims Process

6.1 Reporting

- Owners must report suspected windstorm damage to the Association within **72 hours** of discovery.
- The Association will document the condition through photos, inspection reports, and contractor assessments.

6.2 Evaluation

The Association will determine:

- Whether the damage falls within covered perils.
- Whether the damaged component is an Association responsibility.
- Whether the Program has sufficient funds to cover the repair.

6.3 Prioritization

If available funds are insufficient, repairs will be prioritized as follows:

1. Structural integrity and life-safety components.
2. Weatherproofing and building envelope.
3. Common-area functionality.
4. Aesthetic or non-critical elements.

6.4 Payment

- The Association pays approved claims directly to contractors.
- No direct cash payments are made to owners.
- Owners are responsible for all excluded items, including doors, windows, and contents.

7. Funding Methodology.

7.1 Annual Assessments

A portion of annual assessments (Common Charges) will be allocated to the Windstorm Self-Insurance Reserve ("Reserve"). The amount is determined by:

- Replacement cost of covered components.
- Historical storm frequency.
- Reserve study recommendations.
- Target reserve ratio (e.g., 20–40% of probable maximum loss).

7.2 Special Assessments

If a storm event exceeds available reserves:

- The Board may levy a **special assessment** to fund repairs.
- Owners may use their HO-6 loss assessment coverage to offset this cost.

7.3 Replenishment

After a major event, the Reserve must be replenished to target levels within a defined period (e.g., 3–5 years) through increased assessments or phased special assessments.

7.4 Investment & Safeguards

- Funds must be held in a segregated reserve account.
- Investments must follow a conservative policy prioritizing liquidity and capital preservation.
- Annual audits will verify compliance.

8. Dispute Resolution

Any dispute regarding coverage, exclusions, or claims decisions will be handled through:

- Internal review by the Board.
- Mediation as required by governing documents.
- Arbitration or litigation only as a last resort.

9. Amendment and Review

This policy must be reviewed at least every **three years** or after any major storm event. Amendments require Board approval and, where required, owner ratification.

BYLAW REFERENCES

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1. **Purpose and Authority**

This Program is adopted under the Board's authority to **operate, maintain, repair, and insure the Property**, including common areas and facilities, as granted in:

- **Article II, Section 2(a)** — Board responsibility for "operation, care, upkeep and maintenance of the common areas and facilities."
- **Article II, Section 2(k)** — Board authority for "obtaining insurance for the property, including the apartment units."
- **Article V, Section 1** — Board authority to determine common expenses and establish reserve funds.
- **Article V, Section 2** — Board duty to obtain and maintain property insurance.

The Program is a **Board-administered financial mechanism**, not an insurance policy under Virgin Islands law. It supplements but does not replace the Board's statutory and bylaw-mandated insurance obligations.

Owners remain responsible for insuring their own units and contents, consistent with **Article V, Section 2**, which excludes "wall, ceiling or floor decoration or coverings or other furniture or furnishings, fixtures or equipment installed by unit owners."

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2. Scope of Coverage

Coverage is limited to components the Association is obligated to maintain or repair under the bylaws.

2.1 Covered Property (Bylaw Alignment)

The following are covered because they fall under **common areas and facilities** maintained by the Board under **Article II, Section 2(a)** and **Article V, Section 10(b)**:

- Roof structures and exterior building envelope (common elements).
- Structural walls and load-bearing components.
- Mechanical rooms, utility chases, shared infrastructure.
- Common area mechanical systems (generators, pumps, shared HVAC).
- Perimeter fencing, signage, and common-area improvements.
- Landscaping and grounds (Board has "sole authority and responsibility for outdoor planting and care," Rules & Regs ¶12).

2.2 Covered Perils

Wind-related perils consistent with the Board's authority to repair after casualty (**Article V, Section 3**):

- Windstorm, tropical storm, hurricane.
- Wind-driven rain entering through a storm-created opening.
- Flying debris impact.
- Collapse caused directly by wind forces.

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3. Explicit Exclusions

These exclusions are required to remain consistent with the bylaws' allocation of maintenance responsibilities.

3.1 Unit-Specific Exclusions (Bylaw Basis)

Under **Article V, Section 10(a)**, owners must maintain and repair their own units, including:

- **Doors and windows** (entry, balcony, sliders, frames, seals).
- **Interior finishes** (drywall, flooring, cabinets, paint).
- **Fixtures and equipment installed by unit owners** (explicitly excluded from HOA insurance under **Article V, Section 2**).
- **Unit contents** (furniture, electronics, personal property).
- Owner-installed upgrades.

3.2 General Exclusions

- Flooding or storm surge (not a wind peril; also not covered under HOA insurance per **Article V, Section 2**).
- Water intrusion not caused by a storm-created opening.
- Mold or deterioration due to delayed reporting (consistent with owner responsibility for damage caused by neglect under **Article V, Section 10(a)**).
- Pre-existing damage or deferred maintenance.
- Loss of use, rental income, or alternative housing.
- Any peril not listed in Section 2.2.

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4. Owner Responsibilities

Owners must maintain insurance for all components they are responsible for under **Article V, Section 10(a)** and all items excluded from HOA insurance under **Article V, Section 2**.

Required owner coverage includes:

- Doors, windows, sliders, and glass.
- Interior finishes and improvements.
- Personal property and contents.
- Loss assessment coverage (to address special assessments under **Article V, Section 1** and **Section 3**).
- Additional living expenses.

Failure to insure does not shift responsibility to the Association.

5. Coverage Matrix (Bylaw-Aligned)

Component	Maintained By	Covered by Program?	Bylaw Basis
Roof structure	HOA	Yes	Art. II §2(a); Art. V §10(b)
Exterior walls	HOA	Yes	Art. II §2(a)
Common mechanical systems	HOA	Yes	Art. II §2(a)
Landscaping & signage	HOA	Yes	Rules ¶12
Unit doors/windows	Owner	No	Art. V §10(a); Art. V §2
Unit interior finishes	Owner	No	Art. V §10(a); Art. V §2
Unit contents	Owner	No	Art. V §2
Water damage not from wind opening	N/A	No	Art. V §2
Flood/storm surge	N/A	No	Not a covered peril

6.Claims Process

6.1 Reporting

Owners must report suspected windstorm damage within 72 hours. This aligns with the owner's duty to prevent damage to other units and common areas under **Article V, Section 10(a)**.

6.2 Evaluation

The Board evaluates:

- Whether the peril is covered.
- Whether the component is a common element (**Art. II §2(a)**).
- Whether Program funds are available.

6.3 Prioritization

If funds are insufficient, repairs follow the Board's duty to maintain structural integrity and common areas (**Art. II §2(a)**):

1. Structural and life-safety components.
2. Building envelope and weatherproofing.
3. Common area functionality.
4. Aesthetic elements.

6.4 Payment

The Board pays contractors directly, consistent with **Article V, Section 3**, which requires the Board to manage repair contracts and disburse funds.
No direct payments to owners.

7. Funding Methodology

7.1 Annual Assessments

The Board may allocate assessments to a Windstorm Reserve under its authority to:

- Determine common expenses (**Art. V §1**).
- Establish reserve funds (**Art. V §1**).

7.2 Special Assessments

If reserves are insufficient, the Board may levy special assessments under **Article V, Section 1** and **Section 3**.

Owners may use HO-6 loss assessment coverage.

7.3 Replenishment

The Board may increase assessments or levy phased special assessments to restore reserves, consistent with **Art. V §1**.

7.4 Investment & Safeguards

Funds must be held in segregated accounts and audited, consistent with:

- **Article X, Section 1** — recordkeeping.
- **Article VII (Records & Audits)** — annual CPA-certified financial reports.

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8. Dispute Resolution

Disputes follow the Board's enforcement authority under:

- **Article V, Section 9** — Board may enforce bylaws and rules.
- **Article II, Section 2(e)** — Board may adopt rules and regulations. (see 9. Below)
- Mediation/arbitration as required by governing documents.

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9. Amendment and Review

Amendments require Board approval and, if deemed a rule or regulation, must follow **Article V, Section 16**, which requires majority owner approval for rule changes.

Review occurs every three years or after major storm events.
