

Water Leak Categories:

We define water leaks in 4 categories:

1. **Minor** – Non-emergency; minor drips or a small quantity of water. Affects only one unit.
2. **Regular** – Non-emergency; can be contained using a 5-gallon bucket or mop. May affect two or more units.
3. **Severe** – Emergency; a constant flow of water that would overflow a bucket in minutes causing water damage. Affects two or more units.
4. **Flood** – Emergency; a strong or unstoppable flow of water. Affects two or more units.

Water Leaks:

Step 1 - Stop/Repair the Leak

It is vital to stop and fix the leak as soon as possible. If the water leak is originating from your unit, first turn off the water to your unit at the water shut-off valve and call a plumber immediately. You can call a plumber of your choice or Security can *provide the contact information of* our preferred vendor.

Call the Security Office and inform them of the situation. If your unit is not the origin of the leak, Security will begin an investigation of the source.

REGULAR water leaks will be investigated during the hours of 7 AM – 10 PM, 7 days a week. If a leak occurs outside of these hours, Security will take action the following morning.

Investigations of SEVERE or FLOODING water leaks will be done at any time (24 hours a day). A locksmith may be called to access units in SEVERE or FLOODING cases when the resident can not be reached.

Step 2 - Water Mitigation

Water *mitigation* should take place immediately after the leak has been stopped and repaired. This includes water extraction and drying to lessen damages. You can call a mitigation company of your choice or Security can *provide the contact information of* our preferred vendor.

Step 3 - Identification of Affected Units

Security and the mitigation vendor will investigate any potentially affected units to determine which units have sustained damage from the leak.

Step 4 - Contact Insurance

ALL units affected by the water leak must contact their homeowner's insurance carrier and open a claim. The unit causing the leak must inform the agent they are the responsible party and inform about any additional units being affected by the leak.

If your insurance company needs information regarding the insurance company of the unit above or the master policy they will be referred to Association insurance agent. Management will have an incident report available as soon the investigation of the leak is complete.

Step 5 - Remediation & Repairs

After the initial water mitigation (extraction and drying), *remediation* may be necessary depending on the severity of the leak. *Remediation* includes the removal of damaged flooring, walls, cabinets, etc.

All affected residents will receive a bill for remediation services. The deposit for these services must be paid before work will begin. You can opt to paid up front or you can choose to wait for the insurance check. The vendor may not move forward with remediation until the bill has been paid.

The insurance adjuster must review the damages to the unit before remediation or repairs may begin. The adjuster will not be able to inspect the damage until the area is completely dry. You can get an estimate, but work can not take place before the insurance adjuster's inspection and approval.

Please note that the insurance check will not be issued until after the adjuster's inspection and approval. It may take several days to weeks for the paperwork to all be processed and the check to be mailed out.

Responsibility:

If a water leak originates from the common areas, such as the corridors, parking garage, or building exterior, it is the responsibility of the Association to fix the pipe or building exterior that is leaking according to the Association Declaration and Bylaws, nevertheless damages to your unit must be reported to your HO-6 carrier.

Leaks originating from any appliances or pipes serving a specific unit, including those behind the walls, are the homeowner's responsibility. Thus, the owner is responsible to pay for all remediation, plumbing repairs, and damages to their unit, upgrades, contents, and loss of use.

If a leak affects more than one unit, responsibility lies on the owner of the unit from which the leak originates.

The AOA insurance policy can be used for claims over \$25,000 (*as of 2/1/2020*). The master policy will cover the building as built. For more details, see the Board of Directors' resolution on deductibles and insurance sections of this policy.

For leaks originating inside of a unit, the Association will only become involved once damages exceed the \$25,000 master policy deductible (*as of 2/1/2020*). Otherwise, Management's responsibility is to share contact information among affected units.

If there is a water leak and the resident is not at home or is not willing to take action, the Association has the right and duty to enter any unit to prevent damages to other units and common areas. Any costs associated with accessing the unit will be the owner's responsibility.

Insurance:

- The Association's insurance policy has a \$25,000 deductible (*as of 2/1/2020*) for water-related claims which is the responsibility of the owner from whose unit the damage originated. Owners/occupants should obtain coverage for that deductible through their own insurance policy.
- The Association's insurance: (1) covers the building, common elements, and items included in an apartment as originally built (e.g. carpet, appliances, cabinets, fixtures, etc.); (2) does NOT cover an occupant's furniture, other personal property, or upgrades to the apartment under any circumstances. Therefore, owners and occupants should obtain their own insurance policy to cover furniture, other personal property and any upgrades to their units, as well as their personal liability.
- The Association does NOT pay the deductible to the homeowner unless the cause of the damage is determined to have originated from a common element of the Association, in which case the Board will review each claim on a case by case basis. For more details on the responsibility of the homeowner, please read the building documents.
- The Association is NOT an insurer of unit owners. The Association is NOT responsible for uninsured damage to a unit simply because the problem originated in, on or from the common elements. Instead, the Association is only

liable for the deductible amount if negligence on its part, as determined by competent legal authority (court), caused the problem. Therefore, the Association is NOT liable for damage caused to an apartment by a common element, such as an overflow from a drain line, a pipe leaking, etc.

- The Managing Agent is the only party authorized by the Board to submit a claim to the insurance company to determine potential coverage. If the total amount of expected damage is less than the deductible amount, a claim will not be filed.

For more information regarding the Association master policy, please contact:

Insurance Associates
800 Bethel St. Suite #200
Honolulu, HI 96813
Agent: Sue Savio
Direct: 808-526-9271
Fax: 808-792-5371
sue@insuringhawaii.com

Official Board Resolution:

ASSOCIATION OF APARTMENT OWNERS OF KEOLA LA'I BOARD RESOLUTION ON DEDUCTIBLES AND INSURANCE

WHEREAS:

Section 14 of the declaration requires the board of directors, on behalf of the association, to obtain insurance for the project and to use all insurance proceeds for rebuilding, repairing or otherwise restoring the buildings to their original condition.

Section 514B-143(d), Hawaii Revised Statutes, states:

- (d) The board, in the case of a claim for damage to a unit or the common elements, may:
- (1) Pay the deductible amount as a common expense;
 - (2) After notice and an opportunity for a hearing, assess the deductible amount against the owners who caused the damage or from whose units the damage or cause of loss originated; or
 - (3) Require the unit owners of the units affected to pay the deductible amount.

The association's insurance policy does not cover the personal property and the contents of an owner's apartment, nor any additional upgrades or improvements made to the owner's apartment, but the declaration permits each apartment owner to insure his apartment for his own benefit and to obtain increased coverage for his apartment if he chooses.

The association's insurance premiums and deductible have increased substantially, forcing the board to try to minimize the association's insurance claims and to develop a means to pay the deductible for the association's policy.

Excessive claims against the association's policy may further increase the association's insurance premiums or cause the association's insurance company to refuse to renew the association's policy.

Requiring owners to pay at least part of the deductible on the association's policy provides an incentive for owners to properly maintain their own apartments, to minimize claims against the association's policy.

The board, in light of those and other relevant factors, and based on the board's business judgment, has agreed to a \$25,000 deductible (*as of 2/1/2020*) for the association's policy for the current year. This deductible may change from time to time.

The requirements outlined below on payment of deductibles are intended to encourage owners to properly insure, maintain and repair their own apartments in accordance with the declaration and bylaws, while apportioning the deductible for the association's policy in fair and reasonable manner.

The requirements outlined below are also intended to clarify the insurance needs for individual apartment owners by: (1) furnishing them with guidelines to ensure that they have the appropriate coverage for their apartments, (2) outlining the additional insurance coverage that owners need to purchase for themselves, and (3) stating procedural guidelines for owners when there is a damage claim affecting the owners' apartments.

RESOLVED:

The following policy is hereby adopted by the Board of Directors on behalf of the members of the Association:

I. Deductibles

If loss or damage is covered by the association's insurance policy, the association's insurance policy deductible will be allocated and paid as follows:

(i) If the loss or damage is caused by the owner or the owner's family members, tenants, or guests; or originates from the owner's apartment or limited common elements. (For purposes of this policy, the definition of apartment and limited common elements in the declaration and bylaws will apply. In addition, any water pipe or drain pipe serving only one apartment will be deemed the apartment owner's responsibility). After being given notice and an opportunity for a hearing, the owner shall be responsible for paying the full deductible of the association's insurance policy. The owner must submit a claim to his or her own insurance carrier for the amount of the deductible.

(Example 1: As part of a risk management plan, the board notifies all owners that the owners should replace their washing machine hoses to avoid burst hoses and flooding of apartments. If the owner of a unit fails to do so, and his washing machine hose bursts and floods the apartments below, the owner will be required to pay all the deductible. Example 2: An owner's toilet tank unexpectedly cracks and floods two apartments below. The owner will be required to pay all the deductible.)

(ii) If the loss or damage is caused by or arises from any part of the common elements. The association shall be responsible for paying the full deductible of the association's insurance policy.

(iii) If more than one condominium apartment is affected by an insured loss and the cause of the damage cannot be attributed to the association or any one apartment or resident. The deductible shall be paid, equally, by all apartment owners who receive payment from the association's insurer.

(iv) If the loss or damage appears to be caused by or to arise from any part of an owner's apartment or limited common elements, but the apartment owner or occupant refuses to permit an association representative to enter the apartment or limited common element to investigate. The apartment owner shall be responsible for paying the full deductible of the association's property insurance policy.

II. Collection

If an owner is required to pay the association's deductible under the rules stated above, the board will collect the deductible from the owner as a special assessment under Articles VI and VII of the Bylaws.

III. Claims Procedures

Owners must file claims against the association's insurance policy with the association's managing agent, not with the association's insurance agent. The managing agent will not refer a claim to the association's insurance agent until the owner provides proof that the claim exceeds the deductible of the association's insurance policy. Only licensed and insured contractors shall be authorized to perform reconstruction or repair work necessitated by insurance claims. All work must have the necessary permits and meet all building codes. The association shall disburse insurance claim proceeds directly to the licensed contractor(s) performing the repair or renovation work. Owners must submit all required permits and licenses, along with original receipts, in order for their contractors to receive payment for work performed.

IV. Insurance To Be Maintained By Owners

Pursuant to the "Resolution of the Association of Apartment Owners of Keola La`i, Inc. Authorizing the Board to Require Members of the Association to Purchase Their Own Insurance", each owner must maintain insurance to cover: the owner's personal property; improvements and upgrades to the owner's apartment; and the owner's personal liability. In addition, owners should obtain insurance to cover assessments by the association for association deductibles and uninsured losses. All coverage should be on a replacement cost basis.

V. General Conditions

Owners and tenants shall comply with all insurance risk management programs established by the board.