

## Property Damage Repairs and Insurance Claim Policy

### 1.1 Introduction

Periodically, common areas, units, certain exclusive use common areas such as patios and decks, and personal property are damaged as a result of leaks, spills, water back up, damage from trees, or other causes. The cost of repairing the resulting damage is sometimes covered by Association and/or owner insurance, other times not. This Policy describes Crown Colony's policies, rules and procedures applicable to addressing such damage in a variety of circumstances.

It is important to be aware that owners may have *significant financial liability* to each other for the cost of repairing uninsured damage that affects multiple units, unit upgrades, and the personal property of other owners if that damage results from *owner negligence*. Additionally, owners may have *significant financial liability* to the Association for the cost of repairing uninsured damage to common area and personal property of the Association where damage results from a cause originating in an owner's unit or certain exclusive use common areas (e.g. patios and balconies). We urge you to discuss these important issues with your personal insurance advisors.

### 2.1 Insurance Responsibility

2.1.1 Association Insurance. The CC&Rs obligate the Association to maintain a master policy of property insurance for the common areas of the Project, the value of the interior improvements of units as-built by the developer, and the value of certain exclusive use common area improvements as they were built by the developer. Please note, however, that the Association's property insurance policy does not cover personal property of residents and only covers original construction materials (i.e., no upgrades) to the units and certain exclusive use common areas (e.g. patios and balconies).

The specific amounts and types of insurance maintained by the Association and the deductible amounts for its policies are described in a document annually distributed to members in conjunction with the distribution of the budget.

2.1.2. Owner Insurance. Owners are encouraged to maintain their own property insurance policy for: damage to upgrades made to the interior portions of their units (e.g. an "upgrade" can be an owner replacing carpet with hardwood), damage to upgrades to certain exclusive use common area improvements, and damage to personal property (such as furniture, paintings, area rugs, clothing, etc.). (See CC&R §8.6.) Additionally, it is very important that owners also maintain sufficient amounts of liability insurance to cover damage to common area and to units and personal property of others in the case of owner responsibility for the damage. (See CC&R §8.6.)

Owners are strongly advised to seek the advice of a qualified insurance consultant regarding the types and amounts of insurance coverage they (and, as applicable, their tenants) should maintain. And because individual owners can be subject to reimbursement assessments for uninsured losses for which they are

responsible, owners are also strongly encouraged to consult with their insurance broker regarding coverage for insurance deductibles and reimbursement assessments.

### 3.1 Responsibility for Cost to Repair Damage

3.1.1 Covered Losses/Deductibles. To the extent the cost to repair any particular type of damage is covered by Association or owner insurance, recovery may be obtained from such insurance.

An owner shall be responsible for payment of the deductible on any Association-maintained insurance policy applicable to a loss where the cause of the loss emanates from the owner's unit, or the owner's exclusive use common area, and damages common area, the owner's unit or exclusive use common area, and/or another owner's unit or exclusive use common area.

The Association shall be responsible for payment of the deductible on any Association-maintained insurance policy applicable to a loss where the cause of the loss emanates from the common area and damages common area and an owner's unit or exclusive use common area.

3.1.2 Non-Covered Losses. Non-covered repair costs may include those: (1) property not covered by Association or owner policies, (2) for types of loss or damage expressly excluded in such policies, and (3) amounts valued at less than the deductible amounts. This Section 3.1.2 addresses the allocation of responsibility for the cost to repair where a loss is not covered by insurance.

#### a. Damage Caused by a Common Area Component

At times, the cost to repair damage to one or more units or certain exclusive use common areas appurtenant to a unit (e.g. patios and balconies) is not covered, or not fully covered, by Association or owner insurance.

In accordance with the CC&Rs, where the cause of the damage originates from a common area component for which the Association is responsible to maintain, repair or replace (e.g. a common area drain), the Association shall be responsible for repairing the damaged improvements to the unit or exclusive use common area. This "strict liability" standard applies regardless of whether or not the Association was negligent.

In those cases, the Association's responsibility is to pay for the cost to restore the damaged improvements as they were originally built by the developer. For example, if the developer originally installed carpets but an owner later replaces them with more expensive hardwood, the Association will only pay up to the cost to replace carpet. (See CC&R 11.3.) Additional costs to repair or replace *upgrades* to an owner's unit or exclusive use common area shall be the sole responsibility of the unit owner.

#### b. Damage Caused by a Unit Component

If common area is damaged and the cause of the damage originates from a component in an owner's unit or exclusive use common areas, the owner shall be responsible for the cost to repair the damage. An example would be an overflowing toilet that damages a building's framing. This strict liability standard applies regardless of whether or not the Owner was negligent.

At times, damage to an owner's unit or exclusive use common areas will come from a cause originating in another owner's unit or exclusive use common area. In these instances, if the damage is not covered by insurance carried by the Association, the originating Owner will be strictly liable for the damages regardless of whether or not he/she was negligent.

#### 4.1 Insurance Claims

The Board, in its sole discretion, shall determine whether to submit claims under any insurance policies maintained by the Association. The decision will be based on many criteria, including the likelihood of coverage, the estimated cost to repair in relation to the deductible, the basis for the loss, the general loss history and insurability of the Association, managing the cost of insurance, and other factors.

The Board finds it would be helpful to provide owners with a bullet-point list that can be quickly referenced and used by an owner experiencing an incident in which property is damaged. The "Checklist", provided as Attachment A of this Policy, is intended to supplement, not replace, the provisions of this Policy and the governing documents.

#### 5.1 Prompt Mitigation and Reporting of Damage

Owners and residents have an obligation to immediately notify the Association of damages to the common area or any damages which may be the type covered by the master policy of property insurance. Additionally, they shall take reasonable and immediate steps to control and/or stop the problem (e.g. stop the leakage) and to report the problem to the Association immediately. Failure to do so can exacerbate damage to common area, units, exclusive use common areas, and owners' personal property. The failure to take steps to minimize the damage and report damage to the Association can result in greater liability for deductible and/or repair cost.

A failure to mitigate damage or promptly report damage can mean that the Association will tender a claim that, had the loss been more limited, could otherwise have been repaired without invading the policy. This can result in a higher history of losses and claims, increased insurance costs for all owners and, in a tight insurance market, the possibility that insurance will not be available at all.

#### 6.1 Relocation Costs

In the event property damage repair or mitigation requires the temporary relocation of an owner or tenant, the cost of such relocation is the sole responsibility of the owner. Owners are encouraged to speak with their insurance provider to determine whether their coverage includes relocation costs. If relocation is necessary, owners and tenants are expected to relocate promptly to minimize damage and prevent environmental issues, (such as mold in the case of a water damage event), from developing.

#### 7.1 Emergency Entry

In accordance with the CC&Rs, in emergencies involving imminent, immediate, or impending building damage or health risks, the Association may, without prior notice to or consent of the owner, enter a unit or certain exclusive use common areas to that unit to evaluate the problem and may authorize emergency work to minimize damage. In

the very rare event that such access is necessary, notice shall be provided to the owner as soon after entry as possible. (See CC&R §11.2.)

## 8.1 Repairs

8.1.1 Association and Owner Responsibilities to Repair Physical Damage. The Association is responsible to perform the physical maintenance, repair and replacement of common area components and certain exclusive use common area components such as patios and balconies. Owners are responsible to perform the physical maintenance, repair, and replacement of their units and certain exclusive use common area components such as internal and external telephone wiring designed to serve his or her unit. *The Association will not schedule or supervise repairs to a unit and will only provide the owner with proceeds, if any, of the Association's insurance policies.* Since entry to units is required to make repairs to many common area or exclusive use common area components, owners shall cooperate to allow the Association to carry out its repair duties. The Association may enter a unit after reasonable advance written notice of not less than forty-eight (48) hours, except in the case of an emergency as provided in Section 7.1.

8.1.2 Architectural Review and Approval. To the extent required in the CC&Rs for the repair of property damage, plans for repair or restoration of a damaged unit that include alterations to common area or unit exterior must first be submitted and approved in writing by the Architectural Committee (if one has been established) or the Board of Directors before repairs commence.

## 9.1 Reimbursement Assessments

After giving "notice and hearing" rights as provided in the CC&Rs, the Association may levy a reimbursement assessment against an owner and his or her unit to recoup the cost of making emergency repairs or for costs to repair damage to common area for which an owner is responsible. Other enforcement techniques, such as mediation, arbitration and litigation can also be used to obtain recovery of repair costs due the Association.

## 10.1 Tenants, Guests, Contractors and Agents.

Owners are responsible for the conduct of their family members, tenants, guests, contractors, agents, and other invitees. Property damage that results from the activities of such persons shall be the owners' responsibility in accordance with this Policy.

## 11.1 Application of Policy

This Property Damage Repairs and Insurance Claims Policy applies to all incidents of property damage within the Project. This Policy supersedes any prior damage and insurance claims policies adopted by the Board. In the event of a conflict between this Policy and the CC&Rs, the terms of the CC&Rs will prevail.

Executed this 19 day of November, 2015.

  
Association Secretary

## Attachment A

### Procedural Checklist for Owners Experiencing a Damage Incident

- If an emergency exists, contact the appropriate authority(ies) (e.g. police and/or fire department)
- Make a determination, as best as you can, whether the damage affects property other than your unit. (Owners should note that, in most cases, any damage beyond the interior walls, carpet or other floor coverings, and ceilings is "property other than your unit.")
- If the damage affects one unit, the owner should:
  - Take immediate steps to stop the problem from causing further damage;
  - Determine the cause of the damage and whether any liability rests with others;
  - Determine whether a claim should be made on the owner's insurance policies;
  - Promptly notify the Association of any damages which may be the type covered by the master property insurance policy;
  - Take steps to repair the damage (but first make sure doing so will not affect insurance coverage).
- If the damage affects more than one unit, the owners should:
  - Take immediate steps to stop the problem from causing further damage;
  - Determine the cause of the damage and whether any liability rests with others;
  - Determine whether a claim should be made on the owner's insurance policies;
  - Promptly notify the Association of any damages which may be the type covered by the master property insurance policy;
  - Take steps to repair their unit damage (but first make sure doing so will not affect insurance coverage).
- If the damage affects common area, or the owner is unable to determine whether common area is affected, the owner should:
  - Take immediate steps to stop the problem from causing further damage;
  - Notify the Association immediately by contacting management (contact information is provided below);
  - If the owner is not able to make a determination whether common area has been damaged, promptly report the incident to management along with an explanation of why no determination could be made;
  - In accordance with the Policy, the Association may take steps to mitigate damage and prevent further loss; however, such action shall not be

construed as a representation that the Association is responsible to make or pay for such repairs.

- When reporting an incident to the Association, the following information should be provided. The owner should be as specific as is possible at the time.
  - An explanation of the specific problem causing the damage and whether the problem has ceased or continues to cause damage;
  - An explanation of the damage caused;
  - Identification of the parties and property involved;
  - Whether any third parties have been called to address the problem. If yes, identification of those parties and an explanation of whether the problem was resolved;
  - Any action being requested of the Association;
  - Whether the owner's insurer has been put on notice of the incident;
  - Any other relevant information.

**Management Company Contact Information:**

Crown Colony Homeowners Association  
379 Imperial Way  
Daly City, Ca 94015  
Phone – 650-756-8220  
Fax – 650-756-4323  
E-mail – [cchoa@crowncolonyhoa.com](mailto:cchoa@crowncolonyhoa.com)  
After hours and weekend emergencies: Security - 650-994-0255