

# Leaks, leaks, and more leaks

Understanding what happens with water claims in our associations.

What is your community doing to be proactive?



Sara Eanni, CIRMS- [sara@abipdx.com](mailto:sara@abipdx.com)

Sara Eanni has been in the insurance industry for 19 years, specializing in association insurance for the last 16 years. Sara's passion has been to give back to our local community through education and volunteering for organizations such as CAI. She serves on both the chapter and national level. Sara received her CIRMS designation in 2018. She served as Western Oregon CAI President in 2017. She is currently the 2024 Central Oregon CAI President and sits on Oregon's Legislative Action Committee (LAC) through CAI.



# A claim Happens, Now What?

An insurance loss is one described as a “sudden and accidental” event, subject to policy exclusions, conditions and limitations.

## First steps in the claims process

1. Board/manger needs to be notified by the owner/tenant
  - Create a point of contact within the association
2. Who needs to be contacted?
  - Mitigation company- clean up water/fire/etc
  - Insurance agents
3. What's damaged? (Preserve property immediately)
  - Unit to Unit
  - Unit(s) and Common area
4. What documentation needs to be collected
  - Date of loss, cause of loss details.
  - Pictures of damage
  - Estimates - NTE (not to exceed numbers)
  - Mitigation Invoices



**WATER DAMAGE RESTORATION**

[Company Name]  
Name: [Name]  
Street Address: [Street Address]  
City, State: [City, State]  
ZIP Code: [ZIP Code]  
E-mail: [E-mail]  
Phone: [Phone]

[ADD LOGO]

Invoice # [No]      Date: October 31, 2020

Client / Customer  
Name: [Name]  
Street Address: [Street Address]  
City, State: [City, State]  
ZIP Code: [ZIP Code]

PRODUCTS (MATERIALS)			
Description	Quantity	\$ / Unit	Amount

LABOR

Description	Hours	\$ / Hour	Amount

LABOR  
SUBTOTAL  
DISCOUNT  
TAX  
TOTAL

Payment is due within [ # ] days.

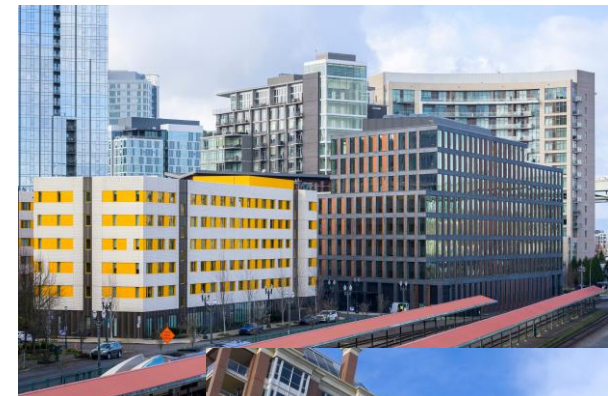


# Claim Coverage

	All Inclusive	Original Specifications	Bare Walls
<b>Who is responsible for coverage?</b>	Association is primary subject to the deductible <b>(No Coverage for personal property)</b>	Association is primary subject to the deductible. **No coverage for any improvements made by current or prior owners** <b>(No Coverage for personal property)</b>	Unit owners are responsible for unit damage.  Association is responsible for common area damage.
<b>Who pays the association policy deductible?</b>	Percentage of damage to each affected units typically.  <b>Owners</b> for damages to their unit below the deductible. <b>Association</b> is responsible for common area.  **What does your insurance resolution say?**	Percentage of damage to each affected units typically.  <b>Owners</b> for damages to their unit below the deductible plus their betterments and improvements. <b>Association</b> is responsible for common area.  **What does your insurance resolution say?**	Association would be responsible for the deductible since common area is their responsibility.  **Negligent situations could be defined within an insurance resolution.

# Community Exposure

- Mid-rise or High-rise
  - 4 Stories or higher
- Multiple floor condo
- Townhouses (shared walls)
- Single family homes



## Reducing Exposure for the Association

- Deductibles
- Unit inspections
- Replacement schedules
- Funded reserves

# Common Claim Questions

## Q

1. What if we don't know damages will exceed the deductible?
2. What if the damage is just unit-to-unit and no common area damage?
3. What if more damage is found outside of the original estimate?
4. The leak started from the unit above. Why do I have to file a claim?
5. Who is responsible for the association's deductible?

## A

1. The association must follow the claim through to determine if damages will reach the deductible. Getting involved in the claim once damages amounts are determined is too late and delays the process.
2. Unit owners will need to manage their claim with their adjuster. However, the association still needs to be involved to make sure the process is continuing to be followed and assessing if damages will exceed the associations deductible.
3. This could be a reason claims go over the deductible and why an association must make the decision to file a claim. Supplemental payments can be issued for extra damages outside of the original scope.
4. Every owner is responsible for damage to their unit regardless of negligence. In a shared wall community, there is a higher risk of claims occurring and all owners, regardless of where the source of the claim came from, will be responsible for their unit's damage.
5. Does the association have an insurance resolution? If the governing documents don't state the deductible responsibility, the association needs to make it a priority to implement an insurance resolution this year.

# Common Claim Mistakes

1. Lacking a point of contact from the association
2. Hiring multiple contractors (mitigation and reconstruction)
3. Not using reputable contractors from within our industry
  - Price gouging, work and service quality, etc.
4. Lack in communication between the association and owners
  - Not establishing realistic expectations
5. Association signs contract for repair work (and mitigation) that isn't their property to sign for.
6. Not tracking the claim's financial component along the way
  - Not knowing where or who to send money
  - Causes over payment to contractors which the association tends to pay



## How to be Proactive

1. Initial claims meeting with all affected owners/tenants
  - Be realistic about time frames and set expectations with owners/tenants
2. Have existing vetted contractors for association and owners
  - Check out CAI as a resource. [www.caioregon.org](http://www.caioregon.org)
3. Weekly check-in meetings with manager/point of contact/adjuster



# Defining the Ideal Association

“Cost of living is increasing. The community association unit isn't just a mortgage, it's the cost to maintain and to make the building safe while appealing to live in.”- Dawn Bauman, Senior Vice President, Government & Public Affairs at Community Association Institute.

- Loss free (no claims)
- Lower rentals (under 20%)
- Well funded reserve study (and updated)
  - Reserve study followed
- Inspections
  - Roof
  - Exterior & decks
  - Landscape (trees and roots)
- Responsive to requirements (loss control)
- Newer Building(s) Less than 25 years old
- Older Building(s) Older than 25 years
  - Updates
    - Roof, plumbing, electrical, heating

## Key takeaways:

\*\*Insurance companies want to insure the best risk.

\*\*The ideal association is the least risky association.

\*\*Associations can't expect low rates without lowering their risk.

# Creating a Balance Between Association & Owners

## Owners are not maintaining their unit(s)... now what?

- Maintenance Matrix
- Replacement processes
  - Washing machine/refrigerator lines
  - Smoke detectors
  - Toilet components
- Inspections - put in reserve study
  - Unit plumbing
  - Snaking pipes/drains
- Installing water stop devices
- Community pre-vetted contractor list
- Insurance resolution
  - When was the last time it was updated?

## Maintenance Matrix

Association	Unit Owner
<ul style="list-style-type: none"><li>• Siding (exterior)</li><li>• Masonry</li><li>• Roof</li><li>• Gutters</li><li>• Decks</li><li>• Painting of exterior</li><li>• Garage doors</li><li>• Downspouts</li></ul>	<ul style="list-style-type: none"><li>• Interior unit &amp; fixtures</li><li>• Windows</li><li>• Entry doors &amp; seals</li><li>• Interior plumbing fixtures</li><li>• Water heater</li><li>• HVAC</li><li>• Interior chimney</li><li>• Hose bibs</li></ul>

For example only - Maintenance responsibilities may be different compared to insurance responsibilities. Look at the governing documents for your specific association's responsibility breakdown.







## BEST PRACTICES

# Community Association Maintenance

A regularly applied maintenance plan and program combined with a properly prepared and funded reserve study can lead to safe, desirable, financially secure community associations. This report highlights:

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Building Maintenance Programs

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Roles & Responsibilities of the Developer and Homeowners

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The Intersection of Reserve Studies and Maintenance

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Sample Maintenance Checklists

[BestPracticesCAMaintenance.final2\\_.pdf \(caionline.org\)](#)



# Other Resources

<https://abipdx.com/newslettersignup/>

Owners should sign up too!



**February 2024 Newsletter**  
News you can use | Sign up today: [abipdx.com/newslettersignup/](https://abipdx.com/newslettersignup/)

## The Corporate Transparency Act

Every community association in all states needs to be aware of a mandatory filing required by the Corporate Transparency Act (CTA). This legislation, enacted to prevent money laundering in small businesses, requires businesses and tax paying nonprofits to file personal information and complete 51 questions on the U.S. Department of the Treasury's portal. This article provides an overview of the CTA's implications and what communities can expect from the legislation.

The act defines an individual who must comply as a "beneficial owner" which is any person with 25% or more ownership or control over an organization. This could include an owner who owns several units as investment properties or the Board of Directors who controls the association. Existing associations have until December 31, 2024, to comply with the filing. However, associations established in 2024 must file within 30 days of becoming incorporated. A developer or person who has control of an association needs to file and update the information as the Board changes.

If a business does not comply, the penalties are harsh. The fines range from \$500 a day up to \$10,000 and the possibility of criminal prosecution. The information required is personal and much like what a Board would provide to a bank. It includes name, address, a copy of a driver's license, and more. Although the impact on community association governance is unknown, it could impede future voluntarism. It's believed community associations were not the intended target. Several organizations including CAI are working to request an extension and even an exemption to this law.

The association's Directors and Officers policy usually has exclusions for failure to comply with government regulations. Associations need to follow the law. If a lawsuit is brought against an association because of this, coverage may not exist including the duty to defend the suit.

As a member of the Legislative Action Committee for CAI Oregon, I urge homeowner associations to speak up and request a delay in CTA

reporting requirements. Recently H.R. 5119 passed in the U.S. House of Representatives and a companion bill is currently working its way through the Senate. This bill aims to delay reporting requirements. Associations can reach out to legislators and demand that the Senate companion bill to H.R. 5119 is passed. CAI's Advocacy Center can help. Use the Advocacy Center to draft and send a letter to your U.S. Senator.

For further updates on the Corporate Transparency Act please utilize CAI's website.

- Community Association Institute  
<http://tinyurl.com/4azru66p>

- Community Association Institute Advocacy Center  
Make your voice heard and send a letter to your U.S. Senator.  
<http://tinyurl.com/49b6w5x2>



**Community Association Day Trade Show**  
An event for homeowners and managers.

**03.15.24** 8:00 AM - 3:30 PM  
Embassy Suites Washington Square

A great educational and networking experience. Register at [CAIoregon.org](http://CAIoregon.org) Don't miss it!

## An Owner's Burning Question



**Question:** I am a landlord and rent my unit. What do I need to consider on my insurance?

**Answer:** A landlord owner who rents their unit, has a responsibility to cover the association's deductible for damage within the unit if the owner's requirement or the unit carries bare walls coverage.

Owners and landlords need an HO6 policy. The tenant occupying the unit needs to purchase an HO4 policy, often called a renters policy. If the owner rents to a family member, we still recommend the tenant (family member) purchase an HO4 policy to protect their personal belongings and liability. In this case, a separate insurance interest exists, apart from the owner who owns the unit. The belongings of the family member who occupies the unit may not be covered under the owner's policy. In addition, both policies need to include loss of rent for the owner and loss of use for the tenant. Loss of rent protects the owner from lost rental income. Loss of use protects the tenant from costs to stay elsewhere if the unit is uninhabitable.

Another consideration is to have a well-written lease agreement in favor of the association. Require insurance coverage for all tenants within the lease agreement and request that the association be listed as an additional insured. This will help you do your part to protect the interest of the association.

## Q&A



### We Want Your Input!

Have a question or want to see a specific topic highlighted in next month's newsletter?

Email me today:  
[association-news@abipdx.com](mailto:association-news@abipdx.com)

Sign up to receive this newsletter:  
[www.abipdx.com/newslettersignup/](https://www.abipdx.com/newslettersignup/)

## Update of the Month: Clean Dryer Vents Annually

Each year dryer vents need to be cleared of debris and lint build up to prevent a fire. Dryer vents can cause unit fires which could result in building damage or life-safety concerns. A fire from a dryer could displace tenants for lengthy periods of time. If you notice your dryer takes longer than 45 minutes to dry clothing, the vent may need to be cleaned. Lint can accumulate outside the trap. If the dryer feels hot to the touch, it could indicate it is overworked.



If you have never had the dryer vent cleaned, now is a good time to schedule the service. It is not the association's responsibility to schedule the cleaning.

## Coverage Corner: What is Cyber Coverage?



Cyberattacks, compromised data — stories of these electronic break-ins fill the news, and sadly community associations are becoming a target. Cyberattacks happen to community associations and cyber insurance policies help protect against these crimes. Sometimes associations are the target of malware infections. Community associations hold personal and precious data that cyber criminals want. After a cyber breach occurs, the Board is responsible to act. The association needs to notify owners of the breach and possibly provide monitoring services for a required limited time. Other costs of these attacks include forensic investigations, crisis management, or public relations efforts.

Cyber coverage can be purchased several ways depending on the insurance carrier. Limited coverage can be added to some package policies. A Directors and Officers policy could include cyber coverage, or the coverage could be purchased as a stand-alone policy. Stand-alone policies often provide the community with broader coverage instead of a cyber endorsement on another policy. All communities can benefit from cyber policies. Talk to your insurance agent about cyber protection coverage.