

**ROLLING RIDGE CONDOMINIUM ASSOCIATION
POLICY RESOLUTION NO. 15-2**

(Policy for Determining Responsibility for Payment of Uninsured Expenses)

WHEREAS, Article VI, Section 2 of the Bylaws requires the Board of Directors to obtain and carry a blanket all-risk master property insurance policy that covers damages caused by fire, vandalism, wind storm, water leakage, and other perils that the Board decides to insure against;

WHEREAS, the master property insurance policy contains a standard provision which allows the insurance company to deduct a predetermined amount from its payments on claims (otherwise called “the deductible”); and

WHEREAS, the Board of Directors has the power to negotiate the amount of the deductible each time that the Board renews the insurance policy; and

WHEREAS, the Board believes it would be helpful to clarify its policy about who bears responsibility for a) the payment of uninsured expenses when the Association files an insurance claim and the insurance company applies the deductible to its payment, or b) the payment of costs related to repairs when the cost of the repairs is below the amount of the deductible, and, therefore, insurance coverage is not available.

NOW THEREFORE, the Board of Directors adopts the following policy:

1. Under the Bylaws, the Board has the power to negotiate and establish the deductible with its insurance carrier at its reasonable discretion. Under the present policy, the amount of the deductible is \$5,000. If the Board changes the amount of the deductible, the Board will provide written notice to the membership of the change.
2. Whenever a Unit Owner incurs damages to the walls, floor, ceiling, carpet, or appliances within his or her unit related to an incident such as a water leak or fire, the Unit Owner has the right to request the Association to make an insurance claim under the Association’s master insurance policy, provided that the Unit Owner submits a written “damage report” to the Association’s Managing Agent within 7 calendar days of the date when the damage occurred. The damage report must include the name and address of the Unit Owner, as well as: a) a statement of when the incident of damage occurred, b) the cause of the damages sustained (if known), b) a preliminary estimate of the costs of repair showing that the amount is likely to exceed the amount of the deductible, c) a duplicate key to the Unit Owner’s unit; and d) a statement from the Unit Owner authorizing representatives of the Association to enter the unit for the purpose of investigating the damages. Failure to submit a complete damage report within the time frame set forth above may jeopardize the Association’s ability to obtain any insurance coverage for the costs of restoration of the unit.
3. Upon receipt of a complete damage report, the Managing Agent or other representatives of the Association will enter the unit for the purpose of investigating the damages in order to independently determine: a) the nature, extent, and cause of the damage; and b) the estimated repair costs; c) whether the Association should file a claim with the master insurance policy, and d) if so, who should pay for any of the costs of restoration not covered by insurance.

4. If the Managing Agent determines the cause of the damage to the unit originated from the common elements, the Association will bear responsibility for the remedial work, and, if applicable, the payment of the costs of restoration that are uninsured due to the deductible.

5. If the Managing Agent determines that the cause of the damage to the unit originated from another unit without any act, neglect, or carelessness of the other Unit Owner, the Managing Agent shall inform the affected Unit Owner of his/her responsibility to make arrangements for the repairs if the cost of the repairs is below the amount of the deductible. This type of circumstance is one reason why owners should obtain their own insurance policy, often called an HO-6 policy, from an experienced insurance agent who understands condominium-living. These policies can cover the costs of restoration that are not covered under the Association's master insurance policy, subject to a deductible chosen by the Unit Owner at the time of purchase of the coverage.

6. If the Managing Agent determines that the cause of the damage to the unit originated from another unit without any act, neglect, or carelessness of the other Unit Owner, but the cost of the repairs is likely to be above the amount of the deductible, the Managing Agent shall undertake the necessary work to file a claim under the Association's master insurance policy. Upon approval of the claim and a determination of the amount of coverage, the Management Agent shall notify the affected Unit Owner of his/her responsibility to pay the portion of the costs of restoration that are uninsured due to the deductible. The Association shall then make arrangements for the restoration of the Unit with the proceeds of insurance.

On occasion, an insurance claim and the related restoration process may involve multiple units with different costs of restoration. In such circumstances, the Management Agent shall endeavor to obtain the costs of restoration for each unit damaged. To the extent necessary and applicable, the Association shall assess responsibility for any related uninsured costs in accord with the proportionate share of the actual costs necessary to restore each unit.

For example, if a water supply line serving a toilet inside one unit breaks without fault on the part of the Unit Owner, the water leakage may cause damage to 3 units and necessitate restoration services in all 3 units. The costs of repair and restoration may exceed \$5,000, in which case the Association would have insurance coverage for the expenses above \$5,000. With respect to the uninsured expense of \$5,000, the Association would obtain a break-out of the costs of restoration for each unit and then assess each Unit Owner in accord with the applicable percentage of the over-all costs. Illustration:

Total cost to repair all 3 units: \$40,000
Cost to Repair Unit A: \$20,000
Cost to Repair Unit B: \$10,000
Cost to Repair Unit C: \$10,000

Aggregate Amount of Assessment of Uninsured Expenses: \$5,000 (e.g. the deductible)
Pro-rata Share Assessed to Unit A: \$2,500
Pro-rata Share Assessed to Unit B: \$1,250
Pro-rata Share Assessed to Unit C: \$1,250

7. If the Managing Agent determines that a) the cause of the damage originated from another unit due to the act, neglect or carelessness of another Unit Owner, and b) the amount of the cost of the repairs is likely to exceed the amount of the deductible, the Managing Agent shall notify the responsible Unit Owner of the determination in writing. The notice shall inform the responsible Unit

Owner of a) the Managing Agent's responsibility to file an insurance claim, and b) the Unit Owner's responsibility to pay the amount of the costs of restoration that are uninsured due to the deductible. The notice shall also notify the responsible Unit Owner of his/her right to request a hearing before the Board within 15 days of his/her receipt of the notice in order to contest the determination made by the Management Agent. If the Unit Owner does not request a hearing in accord within the aforementioned 15 days, the Association shall automatically assess the amount of the deductible against the account of the Unit Owner and provide written notice to the Unit Owner.

8. If the Unit Owner requests a hearing in accord with the applicable requirements, the Board will schedule a hearing and notify the Unit Owner in writing of the date, time, and place. After the hearing, the Board shall provide notice to the Unit Owner of the Board's decision, along with a rationale.

9. If the Managing Agent determines that the cause of the damage to the unit originated from the affected unit, the Managing Agent shall inform the affected Unit Owner of his/her responsibility to make arrangements for the repairs if the cost of the repairs is below the amount of the deductible. If the cost of the repairs exceeds the amount of the deductible, the Managing Agent shall undertake the necessary work to file a claim under the Association's master insurance policy. Upon approval of the claim and a determination of the amount of coverage, the Management Agent shall notify the affected Unit Owner of his/her responsibility to pay the portion of the costs of restoration that are uninsured due to the deductible.

10. If the Managing Agent determines that the cause of the damage originated from another unit due to the act, neglect, or carelessness of another Unit Owner, but that the amount of the cost of the repair is less than the amount of the deductible, the Managing Agent shall notify the affected Unit Owner that this situation is a civil matter between the two owners due to the fact that the Association master insurance policy will not cover any of the costs of restoration of the Unit.

11. Only the Association is authorized to file claims with the Association's mater property insurance company.

The Board of Directors adopted this Resolution on 30 APRIL, 2015.

ROLLING RIDGE CONDOMINIUM ASSOCIATION

By: Betty Holland
Board President