

Welcome to the

WASHINGTON STATE CHAPTER
of
Community Associations Institute

*The leading professional organization providing education,
resources, and advocacy for community association living.*



Unit Water Events: Lessons to Turn a Negative into a Positive

Presented by

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Dan Zimberoff, CCAL – Barker Martin

Sean Hughes – RW Anderson Services

Duncan Kirk, CIC CIRMS

- Duncan is a Senior Vice President at HUB International, one of the largest insurance brokers in the world. He specializes in working with condominium and homeowner association clients and heads up the firms' regional practice known as Condo Assure, a team of industry specialists providing insurance and risk management solutions to community associations. He has been with HUB International and its predecessor (sold the prior agency to HUB International) since 1995.
- Duncan is a past president of the WSCAI, is heavily involved in industry circles both locally and nationally, and co-hosts the talk radio program "Condo and HOA Buzz" .
- He lives in a townhome condominium unit and serves as the association's president. He owns a second condominium in California. Outside of spearheading and growing the Condo Assure team, Duncan is an avid pilot, aviation enthusiast, traveler, and photographer.
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Dan Zimberoff, CCAL

- Dan Zimberoff has practiced community association law with Barker Martin since 2003. Dan assists his clients in working through complex civil litigation, insurance coverage and bad faith claims, and all types of general counsel matters. He also acts as a mediator and arbitrator of community association disputes. He currently co-hosts a weekly radio show on KKNW 1150 am entitled “Condo and HOA Buzz.” In 2015, Dan was admitted into the prestigious College of Community Association Lawyers.

Sean Hughes

- Sean is the General Manager of RW Anderson Services, a General Contractor that specializes in Condominium Maintenance, Repair and Construction. His team works with Condominium Board Members to create and implement action plans to keep their properties out of deferred maintenance and in tip-top shape. He helped start RW Anderson Services in 2011 to specifically meet the demands of daily work orders, small/medium projects and insurance restoration needed within the Condominium Community.
- Sean is involved in WSCAI by serving on the Community Association Day & Law Day planning committees.
- He is married and has 5 children who keep him busy with sports, activities and is an excellent referee at dinner table arguments...:)
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Learning Objectives

- Understand the correlation between proactive risk management and the total cost of risk
- You have a say in your insurance premiums
- Having the right insurance language in your association declaration language is crucial
- Show and tell on unit risk management devices, procedures, and the associated costs

Water Fountain Condominium Association

- Four wood frame four story buildings with 20 units in each. Built 2007.
- New board of directors and management firm.
- Association declaration: No high-risk component language, deductible or insured loss shifting mechanism, no owner insurance requirements.
- Challenging loss history with huge expense to the association

Board Meeting – Risk Management Presentation

- Review History: Losses; Self-insured Expenses; Premiums

History

Claims History 10/1/11 – 10/1/16

\$5,000 deductible – 10/1/11 Property Premium \$26,000 on \$25,000,000 limit

- 12/11 Ice-maker line leak – 2 units damaged \$ 9,600 paid
- 5/12 Property damage to floor and ceiling resulting N/C
from improperly installed shower drain plug
Association paid \$2,700
- 6/12 Washing machine hose burst – 4 units damaged. \$23,681 paid

History

- \$10,000 deductible – 10/1/12 Property Premium \$27,500 on \$25,800,000 limit

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- 6/13 Water heater leak \$13,888 paid

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- 4/14 Fire from pizza box left on stove. \$68,932 paid

- 9/14 Dishwasher malfunction – 2 units damaged \$ 3,777 paid

- 9/14 Water heater leak – 2 units damaged \$ 8,551 paid

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History

○ \$10,000 deductible but \$25,000 Water Damage – Property Premium \$46,500 on \$27,200,000 limit

○

○ 3/15 Washing machine hose burst \$ 6,701 paid

○ 7/15 Bath tub overflowed – four units damaged \$35,103 paid

○ 7/15 Water/mold damage from Limited Common N/C

○ Element pipe (solely providing service to a unit but outside of walls). Cost association \$5,500

○ 9/15 Water heater leak - Association paid \$7,500 CNP

○ Closed No payment – below deductible

○

2016-17 Action Plan

- Insurance Proposal: \$10,000 deductible but \$25,000 Water Damage – Property Premium \$52,000 on \$28,000,000 limit
- Subject to implementation of risk management plan
- Recommended amendment of association's declaration

Commercial Break from the Attorney

- Discussion of legal framework relating to condominium insurance
- Mindbending...anti-American
- “No fault” hubris
- Tort exception

Association Documents

- High Risk Component language – mandates for maintenance or repairs within units; cost implications.
- Unit access for inspections
- Deductible or Uninsured Amount shifting provisions. Important to determine circumstances under which expense transfers to unit owners. Provision must be fair, meet association's culture, be insurable by HO-6 etc

Insurance Deductible Example

- Scenario #1: Owner's fault - damage to unit and CE
- Scenario #2: Owner's fault – damage to multiple units and CE
- Scenario #3: No fault – damage to multiple units and CE

Association Documents

- Review claims record to help “board” review fairness of who should pay.
- 5/12 - grout failure, slow leak. Owner responsibility?
- 7/15 – LCE outside unit exterior wall but unit owner responsible to maintain. Should unit owner or association incur loss? Merits for association.
- 9/15 – Process for collecting claims below deductible.
- Discussion: Common area loss that impacts units; instances where pro-rata might be good. EQ common expense.

Unit – Risk Management Plan and Options

- Cost considerations & benefit for inspection of all units. Why and who pays?
- 4 signs your tank is about to fail:
 - Age
 - Rusty water
 - Rumbling and noise
 - Water around the base of heater

Unit – Risk Management Plan and Options

- Water heaters replacement program.
 - Document condition, age, and life expectancy
 - Service life depends on manufacturer's suggestion.
Usually 8-12 years.
 - Water quality, location of unit, maintenance and quality of installation play a part.

Unit – Risk Management Plan and Options CONTINUED...

- Water heater maintenance:
 - Flush water to remove sediment from tank until clean water comes out.
 - Insulate hot water pipes
 - Gas tanks: replace thermocoupler (a safety device that shuts off the gas if the pilot flames goes out)
 - Replace leaking pressure valve and tighten fittings
 - Keep temperature setting to maximum of 120 degrees Fahrenheit. Reduces risk of damaging or overheating tank

Unit – Risk Management Plan and Options CONTINUED...

- Risk management for owners.
- Devices to help reduce losses:
 - Water heater blankets for tanks that are in a garage area
 - Water heater pans: They catch leaks but not a loss of the tank.
 - Stands help reduce potential fire hazards in the event of a flammable liquid spill nearby a gas hot water tank.
 - Alarms:
 - FLOOD STOP: Floor water sensor and valve shutoff
 - Dishwasher, water heater, ice maker, washing machine

Unit – Risk Management Plan and Options CONTINUED...

- Sample pricing & ideas:
 - New 50 gal installed \$800 - \$1500
 - Tankless \$3000+
 - Change old hose lines to braided. They can handle the “shock” of water starting and stopping with washing machines. Much more reliable than traditional rubber hoses and affordable.
 - FLOODSTOP: \$125 - \$200. Volume pricing may be available. Installation costs estimated at \$60 and depends on volume or devices installed.

Cost Benefit Analysis

- Attorney
- Deductibles or Uninsured Amounts
- Proactive Maintenance Program
- Risk Management Devices
- Benefit to Owners
- Long-term Insurance Implications

Wrap Up

- Questions & Answers
- Thank you for attending😊😊

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