

The Imperial Way

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Condominium Insurance for Owners –

Avoiding the School of Hard Knocks *by Patty Dykstra*

This article appeared in the December 2009 issue of the Hawaii Community Association Newsletter.

“The Association has insurance, why do I need coverage too?” Many owners of condominiums and co-ops actually rely on the association master policy to cover any loss or liability that arises and do not realize there is no coverage under the master policy for personal property, unit improvements or personal liability situations. Even an owner with a mortgage on their property may not realize the need for insurance beyond the master policy, as most mortgage companies only ask for proof of the Association policy. Unfortunately the reality of this gap in coverage usually becomes an issue when there is an occurrence for which an insurance claim is filed and there is only partial or no coverage at all under the master policy.

The re-codification of Hawaii Revised Statute 514 included a provision that the board, with the approval of a majority of the owners, may require unit owners to obtain reasonable types and levels of insurance. If the owner does not purchase or produce evidence of insurance requested by the board, the directors may purchase insurance coverage for the unit of the non-compliant owner and charge the reasonable premium cost back to the unit owner. Although it is an evolving insurance product, some insurance companies have developed a group policy that can be purchased by the directors on the unit owner’s behalf and charge back the pro-rata share of the policy premium to each unit owner.

No one likes to think about insurance coverage. After all, you pay good money for it – but only benefit if and when something goes wrong.

However, bad things do happen—to you or your neighbor and a safety net is needed for the inevitable unexpected loss. Condominiums and co-ops can have a variety of appearances – high rise building apartments, townhouse units and even single family homes.

Regardless of the structure type and depending on the Association documents, the master policy property damage insurance will generally provide coverage within an owner’s unit only to the extent of the “as built condition.” The basic translation for this term is the master insurance policy will pay to return your unit fixtures, wall and floor covering to the same quality as the unit included when it was originally sold. As many of Hawaii’s condominiums and co-ops are aging buildings, the “as built condition” may be significantly lower quality than the current condition of your wall covering, flooring, cabinets, countertops and fixtures. In addition, expensive area rugs or other personal property will not be covered at all by the master policy.

Liability insurance is another area where an owner may find himself or herself without any coverage through the master policy. Liability insurance protects you in case of a lawsuit due to injuries that occur in or on your premises. If a visitor is injured in or on your premises, your liability coverage will also provide for their medical expenses.

To make planning for the unexpected loss even more difficult for the condominium or co-op owner, many associations are faced with raising master policy deductibles either to retain current coverage or in an effort to attempt to maintain a reasonable

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premium cost. These rising deductibles and limits of coverage issues for the master policy can affect condo owners directly through "loss assessment." Loss assessment refers to an owner's share of property damage or injury awards for which an association's policy does not provide coverage. A loss assessment against an owner can result from the master policy deductible or an association with insufficient funds or insufficient property damage or liability insurance coverage. If a claim is submitted for damages to an owner's unit for an amount which falls below the master policy deductible, no payment will be made by the master policy and the owner could be forced to turn to his or her own condo insurance policy for coverage. Condo owners should check with their insurance company to determine the extent of coverage under their policy.

No one is excited about getting insurance, but keep in mind that since the major structure is covered by the Association's master policy, a condominium owner's insurance policy is one of the least expensive types of coverage you can buy. Considering the alternative it could be one of the best decisions you make. Be sure to review your Association documents to determine what you are responsible for covering and consult an insurance specialist to review your insurance needs for coverage such as property damage to your unit improvements, personal property or property of others; temporary living expenses; theft; liability; loss assessment; and hurricane. Coverage is available in varying amounts depending on the insurance company usually at nominal amounts.

**CONGRATULATIONS TO REY DULDULAO!
T.I.P.'s EMPLOYEE OF THE QUARTER
2ND QUARTER OF 2010**

The winner of our Employee of the Quarter for the 2nd quarter of 2010 is Maintenance Supervisor, Reynaldo Duldulao! Rey has been working at the Imperial Plaza for almost seven years now. Rey's first position here was a Maintenance Helper; he was promoted to the position of Maintenance Supervisor in 2005.

Prior to coming to Hawaii, Rey lived in the Philippines where he worked at a 5-star luxury hotel and casino as an electrician, air conditioning technician and an engineering supervisor. Rey's wife, Rosemarie, brought him to Hawaii and made him an honest man. The couple has two children, Ronalei, 6 years old and Russell, 2 years old. When Rey is not working, he enjoys hanging out with his family at the beach or helping his daughter, Ronalei, take care of her rabbit and love birds. Rey also enjoys cooking and eating Filipino food.

When asking Rey what he likes most about working at the Imperial Plaza, he stated, "It's (TIP) just like my second home. Since I came to Hawaii in 2003, this has been my first and only job. My co-workers are very nice and the residents are very kind."

What does your family think about you winning the Employee of the Quarter? "It was very unexpected. We are all happy."

Some of the comments Management received regarding Rey's nominations are:

"He (Rey) always keeps the commercial areas well cared for and restroom repairs have been timely."

"Very conscientious, friendly, professional and neatly dressed."

"Rey is a very pleasant person and tries to help out whenever he can."

Rey has received our EMPLOYEE OF THE QUARTER award along with a \$50.00 gift certificate. Please join us in congratulating him on a job well done!

If you would like to nominate a member of our Housekeeping, Maintenance or Security staff to become the next Employee of the Quarter, please submit a nomination form or send an e-mail to the management office. All nominations will be reviewed and a quarterly selection will be made with the approval of the Board of Directors.

Congratulations, Rey!



The Board of Directors require unit owners to purchase a homeowners insurance policy, commonly called an HO6 policy, with the following minimum coverage:

Minimum coverage:

\$25,000 for contents

\$25,000 for dwelling

\$300,000 for liability

\$5,000 for loss assessment

A current copy of your insurance declaration is required to be on file in the management office. Any unit that does not submit a valid insurance declaration will have a policy purchased for them by the AOA and charged back to their account. Commercial unit owners are required to submit a certificate of insurance reflecting the same minimum coverage. Please contact management if you have any questions. Mahalo!



*Reynaldo Duldulao, Employee of the Quarter
2nd Quarter 2010*