

RESOLUTION

INSURANCE DEDUCTIBLE POLICY

WHEREAS, Section 514B-143, Hawaii Revised Statutes requires all condominium associations to purchase and maintain property insurance on the common elements and, to the extent reasonably available, shall include the units, the limited common elements, except as otherwise determined by the board, but excluding improvements and betterments to the units installed by the unit owners; and

WHEREAS, said Section also requires all condominium associations to purchase and maintain commercial general liability insurance against claims and liabilities arising in connection with the ownership, existence, use or management of the property; and

WHEREAS, under subparagraph (d) of Section 514B-143, HRS, the law now authorizes boards of directors, in the case of a claim for damage to a unit or the common elements, to (1) pay the deductible amount as a common expense; (2) after notice and an opportunity for a hearing, assess the deductible amount against the owners who caused the damage or from whose units the damage or cause of loss originated; or (3) require the unit owners of the units affected to pay the deductible amount; and

WHEREAS, the deductible under the Association's insurance policy(s) is now at \$5,000 but subject to change; and

WHEREAS, the Board wishes to adopt a standard policy governing the responsibility for payment of the deductible under the Association's insurance policy(s), now, therefore

BE IT RESOLVED, that the following INSURANCE DEDUCTIBLE POLICY is hereby adopted:

1. In the event a claim is made under the Association's insurance policy(s) for damage to a unit or the common elements caused solely by a defect in a common element, the Association shall be responsible for paying the deductible amount as a common expense. In the event the value of such a claim is less than the deductible amount, the Association shall be responsible for paying the claim as a common expense.

Example: A unit sustains water damage from a burst common element pipe in the walls.

Notwithstanding the above, in the event the Association's insurance policy(s) do not cover improvements and betterments to the units installed by unit owners, the Association shall not be responsible for paying the deductible amount (or the value of a claim if it is less than the deductible amount) in the event a claim is made for damage to unit improvements and betterments. For purposes of this paragraph, "improvements and betterments" as defined in Section 514B-143(b) means "all decorating fixtures, and furnishings installed or added to and located within the boundaries of the unit, including electrical fixtures, appliances, air conditioning and heating equipment, water heaters, or built-in cabinets installed by unit owners."