

Owner upgrades. The policy is commonly called an "HO-6" policy in the insurance industry. Owners shall maintain such insurance with a deductible not to exceed \$500.00 for each occurrence.

3. **Procedures for Repair Of Damages.** Upon being notified of a water intrusion problem, the Association shall dispatch a roofing contractor, plumber, or other qualified contractor to investigate the problem and determine whether an Association Common Area component or Owner responsible item is the cause of the water intrusion. **The affected Owner shall immediately tender any claim for damage to the Owner's personal property items and other property and improvements within the Unit to the Owner's insurance carrier.**

(a) If the cause of the water intrusion is from an Owner responsible item, or from damage to a Common Area component caused by the Owner or any of the Owner's family members, guests, tenants, agents, or invitees, the Owner shall be responsible to reimburse the Association for all costs incurred to contain the water intrusion and repair any damages to the Common Area components. The Association may levy a Special Assessment against the Owner for such costs, after providing the Owner notice and an opportunity for a hearing, pursuant to the Association's CC&Rs. The Owner shall be responsible to repair any damages to the Owner's Unit and personal property and other property and improvements therein, including, but not limited to, interior paint, wall and floor coverings, cabinets, appliances, fixtures, furniture, clothing, drapes, and other interior contents or improvements maintained in the interior of the Unit (collectively, "Unit Contents").

(b) If a Common Area component is the cause of the water intrusion, the Association shall repair the Common Area component. If any of the Unit Contents are damaged, the Owner shall tender a claim to the Owner's insurance carrier pursuant to the insurance coverage the Owner is obligated to maintain under the CC&Rs. If the Association is at fault for the damages, the Association shall reimburse the Owner for the deductible under the Owner's insurance policy, which deductible shall not exceed \$500.00; provided, however, the Association will not repair or replace, or pay for the repair or replacement of, interior damage to any Unit Contents caused or aggravated by an Owner's failure, or a tenant's failure (or any other person for which Owner is responsible), to act reasonably and timely notify the Association of a Common Area problem affecting the Owner's Unit. Provided further, however, if the Association elects to repair damage caused by an Owner's (or resident of an Owner's Unit) unreasonably delay in reporting the incident causing the damage, the Association may hold the Owner responsible for the cost to repair the damages caused by the delay in reporting the incident by way of a Special Assessment, after the Owner is given notice and an opportunity for a hearing.

If an Owner fails to maintain the insurance required under the CC&Rs, the Owner shall be responsible for repairing damaged Unit Contents that would have been covered by the insurance the Owner is required to maintain under the CC&Rs.

(c) The Association shall control all repairs to Common Area components. This means that only Association approved and licensed contractors may perform any repairs to Common Area components or perform any work that affects a Common Property component.

THE REDWOOD HOMEOWNERS ASSOCIATION

POLICY REGARDING WATER INTRUSION DAMAGES, TENDER OF INSURANCE CLAIMS, AND INDIVIDUAL OWNER RESPONSIBILITY FOR COST OF REPAIRS AND PAYMENT OF APPLICABLE DEDUCTIBLE

Adopted May 14, 2013

From time to time questions arise as to whether the Association or the Unit Owner is responsible for water damage occurring within a unit and who is responsible for controlling the repair of such damages. Therefore, the following summary outlines the responsibilities of the Association and the Owners with respect to water damage and insurance issues. This Policy replaces any policy previously adopted by a past Board of Directors concerning the matters addressed herein.

1. Association's Control of Repair of Common Area Components. The Association shall repair damages resulting from water intrusion and/or mold contamination to the Common Area components and interior of any individual Unit caused by the failure of a Common Area component, subject to the limitations set forth in Paragraphs 2 & 3 below. Each Owner has a duty to notify the Association's management company as soon as the Owner becomes aware of a problem with a Common Area component, such as a roof leak, sewage blockage, slab leak, or leaking plumbing line, and the like, that may be causing damage to the Common Area elements of the building and/or the Owner's Unit. Owners who lease their Unit are responsible to ensure their tenants report Common Area or other water intrusion problems immediately to the Owner and the Association.

2. Owner's Obligation To Maintain Insurance. Article VIII, Section 3, of the Association's CC&Rs provides that Owners have a duty to maintain insurance on their personal property and upon all other property and improvements within the Owner's Unit; except as to insurance the Association carries. The Owner's insurance must contain waivers of subrogation of claims against the Association and its Board of Directors and officers, and all other Owners. Further, if any loss intended to be covered by the Association's insurance occurs and the proceeds payable thereunder shall be reduced by reason of the Owner's insurance, such Owner shall assign the proceeds of such insurance to the Association, to the extent of such reduction, for application to the damages.

As discussed in more detail below, the Association's insurance coverage is subject to a \$10,000.00 deductible. Therefore, Owners must maintain contents insurance coverage for their personal property items and other property and improvements within their Unit to cover a loss or damages that may arise from water intrusion or other incident, regardless of the cause. An Owner's failure to maintain such insurance coverage (a) constitutes a breach of the Owner's obligations under the CC&Rs, and (b) constitutes a decision by the Owner to self-insure for such damages. In such cases, the Association shall not be responsible for repairing or reimbursing an Owner for damage to the Owner's or resident's personal property items and other property and improvements within the Unit that would have been covered by insurance the Owner is obligated to carry pursuant to the CC&Rs.

Accordingly, each Owner should consult with his/her insurance agent immediately to confirm that the Owner has proper insurance that insures the Owner's personal property against loss, including real property or building coverage for the finished surfaces of interior floors, walls and ceilings, and

4. Association Insurance: Subject to the Owner submitting any claim for damages to the Owner's insurance, if an Owner believes he/she has a claim which may fall under the Association's master policy of insurance, the Owner shall tender the claim to the Board of Directors for review. This may be done by simply sending the Association's managing agent a written description of the claim you wish tendered to insurance. The Board will review the claim as soon as practicable and will advise the Owner whether the Association intends to submit the claim to the master insurance carrier, or if the Association intends to handle the claim if the amount is relatively small, the Association is responsible for the damages, and the damages are not otherwise covered by insurance the Owner is obligated to maintain under the CC&Rs.

The Board will work with the Association's insurance carrier to make sure that all proper and legitimate claims are processed. As noted above, the insurance policy deductible as of the date of adoption of this Policy is \$10,000.00 per claim. This amount was selected for the benefit of a reduced premium amount and in order to reduce the likelihood of cancellation of the policy that may follow if more claims will be filed under a lower deductible amount. Therefore, no claim under the deductible amount can be submitted to the Association's insurance carrier, because it will be rejected by the carrier. Accordingly, the Association will consider appropriate action for all claims under the deductible amount. The Board will review each claim and determine whether coverage exists under the policy and/or whether the Association or the Owner is responsible for paying to repair the damages under the CC&Rs. Many claims may be solely Owner responsibility.

5. Responsibility for Deductible Under Association Insurance: The Owner shall be responsible for payment of damages subject to the deductible under the Association's insurance policies in the following instances: (a) where the Owner, or a person for whom the Owner is responsible, is responsible for the damages, (b) for damages to Unit Components that would have been covered by insurance the Owner is required to maintain under the CC&Rs, and (c) for damages to Unit Components for which the Association is not responsible. In such instances, the Association may hold the Owner responsible for payment of the amount that would have been subject to the deductible under the Association's insurance policy, regardless of whether the Association tenders the claim to the Association's insurance carrier.