

ASSOCIATION OF UNIT OWNERS OF ALLURE WAIKIKI  
BOARD RESOLUTION ON DEDUCTIBLES AND INSURANCE

The Board of Directors (the "Board") of the Association of Unit Owners of Allure Waikiki (the "Association"), under "Declaration of Condominium Property Regime of Allure Waikiki" dated April 25, 2007, recorded in the Bureau of Conveyances of the State of Hawai'i as Document No. 2007-074084, as amended (the "Declaration"), hereby adopts the following administrative resolution pursuant to the Declaration, the Bylaws of the Association of Unit Owners of Allure Waikiki ("Bylaws"), as amended, and the Hawai'i Revised Statutes ("HRS"):

WHEREAS:

Sections L and M of the Declaration and Section 5.1(m) of the Bylaws require the Board of Directors, on behalf of the Association, to obtain insurance for the project and to use all insurance proceeds for rebuilding, repairing or otherwise restoring the building to its original condition.

Section 5.1 of the Bylaws gives the Board broad powers to operate and manage the Project for the benefit of the Association and its members.

Section M.3 of the Declaration states that any deficiency in insurance proceeds must be paid: (1) for repairs to the common elements (but not the limited common elements), by all the owners; (2) for repairs to units, by the owners of the units being repaired; and (3) for repairs to the limited common elements, by the owners of the units to which the limited common elements are appurtenant.

Section 7.1 of the Bylaws states that owners are responsible for any uninsured loss or damage to the common elements caused by the owner or an occupant or other person using the project with the owner's permission.

Section 7.2 of the Bylaws states that owners are responsible for the cost of maintenance, repairs, and replacements to the common elements necessitated by the negligence, misuse or neglect of the owners.

Section 514B-143(d), Hawai'i Revised Statutes, states:

*(d) The board, in the case of a claim for damage to a unit or the common elements, may:*

- (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.*

**The Association's insurance policy does not cover the personal property and the contents of an owner's unit, nor any additional upgrades or improvements made to the owner's unit, but Section L of the Declaration permits each unit owner to insure his unit for**

**his own benefit and to obtain increased coverage for his unit if the unit owner chooses. In addition, individual homeowner policies can often be obtained with loss assessment coverage in the event the homeowner is assessed for a deductible or there is a deficiency in insurance proceeds.**

The Association's insurance premiums and deductible are substantial, forcing the Board to try to minimize the Association's insurance claims and to develop a means to pay the deductible for the Association's policy.

Excessive claims against the Association's policy may further increase the Association's insurance premiums or cause the Association's insurance company to refuse to renew the Association's policy.

Requiring owners to pay the deductible on the Association's policy provides an incentive for owners to properly maintain their own units, to minimize claims against the Association's policy.

The Board, in light of those and other relevant factors, and based on the Board's business judgment, has agreed to a **\$30,000 per unit** deductible for the Association's policy for the current year. This deductible may change from time to time.

The requirements outlined below on payment of deductibles are intended to encourage owners to properly insure, maintain and repair their own units in accordance with the Declaration and Bylaws, while apportioning the deductible for the Association's policy in a fair and reasonable manner.

**The requirements outlined below are also intended to clarify the insurance needs for individual unit owners by: (1) furnishing them with guidelines to ensure that they have the appropriate coverage for their units, (2) outlining the additional insurance coverage that owners need to purchase for themselves, and (3) stating procedural guidelines for owners when there is a damage claim affecting the owners' units.**

RESOLVED:

The Board repeals the Resolution on Deductibles and Insurance, adopted at a Board meeting on October 11, 2011; and

The Board adopts the following policy on behalf of the members of the Association:

I. Deductibles

If loss or damage is covered by the Association's insurance policy, the Association's insurance policy deductible will be allocated and paid as follows:

- (i) If the loss or damage is caused by the owner or the owner's family members, tenants, or guests; or originates from the owner's unit or limited common elements. (For purposes of this policy, the definition of unit and limited common elements in the Declaration and Bylaws will apply. In addition, any water pipe or drain pipe serving only one unit will be deemed the unit owner's responsibility). After being given notice and an opportunity for a hearing, the owner shall be responsible for paying the full deductible for the claim on the

Association's insurance policy, unless the Board decides otherwise. The owner must also submit a claim to his or her own insurance carrier for the amount of the deductible.

*(Example 1: As part of a risk management plan, the Board notifies all owners that the owners should replace their washing machine hoses to avoid burst hoses and flooding of units. If the owner of a unit fails to do so, and his washing machine hose bursts and floods the units below, the owner will be required to pay all of the deductible.)*

*Example 2: An owner's toilet tank unexpectedly cracks and floods two units below. The owner will be required to pay all the deductible, without regard to negligence or fault.)*

- (ii) If the loss or damage is caused by or arises from any part of the common elements and no owner is responsible for the damage. If the Association is negligent and no owner is responsible for the damage, the Association shall be responsible for paying the full deductible of the Association's insurance policy. If the Association is not negligent and no owner is responsible for the damage, the deductible shall be paid by the unit owners to the extent covered by the insurance on the owner's unit. The uninsured portion of the deductible shall be paid by the Association.

*(Example 1: The Association's roofing contractor informs the Board that the roof should be replaced as soon as possible because it will probably leak in the next big storm. The Board does nothing, and six months later a big storm hits and three units are flooded by a roof leak. The Association pays the whole deductible.)*

*Example 2: The Association's roofing contractor informs the Board that he has inspected the roof and it should be serviceable for at least three more years before it needs to be replaced. A "100 year" storm hits six months later and three units are flooded. The Association is not negligent. The deductible is divided between the three owners and the owners pay the portion of the deductible that is covered by their insurance. If any portion of the deductible is not covered, the Association pays that portion.)*

- (iii) If more than one condominium unit is affected by an insured loss and the cause of the damage cannot be attributed to the Association or any one unit or resident. The deductible shall be paid, equally, by all unit owners who receive payment from the Association's insurer.
- (iv) If the loss or damage appears to be caused by or to arise from any part of an owner's unit or limited common elements, but the unit owner or occupant refuses to permit an Association representative to enter the unit or limited common element to investigate. The unit owner shall be responsible for paying the full deductible of the Association's property insurance policy, regardless of whether the owner or occupant is negligent.

## II. Collection

If the Association intends to allocate the deductible to an owner because the owner caused the damage or because the cause of damage originated from the owner's unit, prior to allocating the insurance deductible, the Board will allow the owner notice and opportunity to be heard.

If an owner is required to pay the Association's deductible under the rules stated above, the Board will collect the deductible from the owner as a special assessment under the Bylaws.

III. Claims Procedures

Owners must file claims against the Association's insurance policy with the Association's managing agent, not directly with the Association's insurance agent. The managing agent will not refer a claim to the Association's insurance agent until the owner provides proof that the claim exceeds the deductible of the Association's insurance policy; provided that the managing agent still may submit the claim to determine if it is a covered cause of loss under the Association's policy.

Only licensed and insured contractors shall be authorized to perform reconstruction or repair work necessitated by insurance claims. All work must have the necessary permits and meet all building codes.

The Association shall disburse insurance claim proceeds directly to the licensed contractor(s) performing the repair or renovation work. Owners must submit all required permits and licenses, along with original receipts, in order for their contractors to receive payment for work performed.

IV. General Conditions

Owners and tenants shall comply with all insurance risk management programs established by the Board.

CERTIFICATE

I hereby certify that the above resolution was adopted pursuant to the law, Sections L and M of the DECLARATION OF CONDOMINIUM PROPERTY REGIME OF ALLURE WAIKIKI, as amended, and the above sections of the BYLAWS OF THE ASSOCIATION OF UNIT OWNERS OF ALLURE WAIKIKI, as amended, by the Board of Directors of the Association, at a Board meeting on August 21, 2024.

DATED: Honolulu, Hawai'i, September 11, 2024.

ASSOCIATION OF UNIT OWNERS OF  
ALLURE WAIKIKI

By:   
Its Secretary