

**BAY WATCH III
CONDO ASSOCIATION
BOARD OF DIRECTORS**

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BayWatch III Information Bulletin #12

WATER DAMAGE - Critical Issue Update

November 26, 2011

Water Leak Situation: Two water damage events in 2011 have brought to our attention the seriousness of these events to both the affected condo owners (unit damage, loss of use, and \$5,000 deductible expense) and to ALL of the BayWatch III units owners who are equally responsible for the financial expense of our remaining \$10,000 deductible and for projected increases in our insurance costs due to these claims which total in excess of \$50,000. This issue has also been responsible for the increase in our yearly condo fees in the enclosed 2012 budget due to deductible expense and increased insurance costs. Recent Maryland condo law requires the association to carry insurance to cover these claims. We currently have a \$10,000 deductible as part of the BWIII master insurance policy which was required by the insurance carrier in response to the claims experience BWIII had prior to the 2011 – 2012 coverage period. We are expecting another increase, either to the premium cost and/or the deductible as a result of the more recent BWIII claims experience.

In order to address this situation going forward, the Board of Directors is would like to institute several actions to deal with the water leak situation.

Recommended Unit Owner Action: First, all water heaters older than 10 years should be replaced and the water lines to dish washers, clothes washers and ice makers should all be replaced with braided stainless steel lines. We have requested and recommended this in the past but we continue to have leak issues from older water heaters and plastic or brass water lines that are causing us all expense and concern. We are currently doing an assessment of the age of water heaters in all units to determine our degree of risk from age of the units. Our next step will be to contact all owners with water heaters over 10 years old to request replacement. Knowing the age and replacement dates of this equipment should help our insurance renewals and reduce our leak issues that are both expensive and time consuming to owners. Of course, ensuring that all water heaters and water lines are in good condition and age does not guarantee that leaks will not occur, but it should greatly reduce our risk of their occurrence. **If you have already replaced your water heater and water lines within the last 5 years, please notify Shipley Management at the number below so we can update our records.**

Reporting Unit Damage: Second, we have had varying ways of handling the damage reporting process in the last few years and we want to make sure that all owners are aware of the proper way to handle this process. Since it is the Association Insurance Policy that is primary for repairing unit water damage, all claims must be handled by the Association Management Company and our insurance agents. Unfortunately, the process of repairs from water damage is slower than anyone would like, no matter who handles it, but the management of the claims must be handled by the responsible insurance company. In all cases, the owner where the leak occurs is responsible for the first \$5,000 of the cost. The Association then covers the next \$5,000 and the insurance company handles the rest. Unit owners should not contact or contract directly with the repair company as they are not responsible for the cost except the first \$5,000. Contacting the repair company directly may subject the owner to additional costs beyond the \$5,000 mentioned above. In the event of a leak, emergency or other situation that may occur at the Bay Watch III Condominium, the following steps should be taken.

1. **Call Shipley Management @ 410-520-0300, report the situation and leave a message if it goes to voice mail, then call the emergency number 410-726-1301.**
2. If the problem is a leak within your unit, **turn the water off.**
3. Wait for Shipley Management to arrive and assess the situation.
4. Shipley Management will then arrange for the appropriate mitigation of any damages incurred during the incident.
5. Shipley Management will then inform the Board of Directors of the situation and contact any other parties as necessary.
6. Shipley Management will communicate with the owners and Board during the repair process.

Back up Plan: Third, should we have non-compliance with the water heater replacement requests, the Board is considering an assessment to all unit owners as per the Condominium Documents so that all water heaters over 10 years old can be replaced. This assessment will likely be approximately \$1,000 per unit and could save us all that much or more in insurance cost and unit damage. In order to do this, we will need a majority vote of 51% of owners to make this assessment. We also need to address the issue of how to handle those owners who have already (in the past 3 years) taken action to replace the heaters and lines. Compliance with recommended replacement and possible assessments will be a topic of discussion at the Annual Meeting of Unit Owners in the spring.

Conclusion: Water leaks causing unit damage has become a serious problem for Bay Watch III Condominiums. As our buildings have aged we have worked hard to keep the exteriors and common areas in good condition through our yearly maintenance program but we now are having issues with equipment within the units that are owner responsibility causing damage and expense for all owners. Water heaters and water lines all need to be updated for the best interests of us all. The actions above are intended to address the water leak issue; however, if non-compliance with requests for water heater and water lines replacement becomes an issue, the Board of Directors has the authority and responsibility to take action to mitigate the risk to all owners. Hopefully, our Bay Watch III Owners will take action, as they have always done in the past, and do what is necessary to protect our investment. We will update all unit owners as to our progress on this issue at the Annual Meeting of Unit Owners in the spring of 2012.