



2001 McAllister Street, San Francisco, California 94118

PETRINI INSURANCE

(Specifically related to water leaks and water damage)

September 1, 2025 - Prepared by D. POLIFKO

Condominium Homeowners Insurance (also known as an HO-6 policy) is financial protection for your home and belongings from unexpected problems such as fire or water damage. While not always legally required, if you have a mortgage, most likely your lender requires it as a condition of the loan. In some cases, an additional policy specifically for earthquake coverage can be prudent depending on the age of your property, its construction method and location. The Petrini Place HOA does not require owners to have an HO-6 policy however we strongly encourage it.

Likewise, if you are renting your unit, we recommend that your renters have their own **Renters Insurance** (HO-4) policy as their belongings and liability are not covered under your HO-6 policy.

HOA Insurance (a master policy or condo master policy) is insurance coverage purchased by a Homeowners Association (HOA) to protect the common areas and shared infrastructure of condominium complex. It is a form of commercial property insurance that covers damage to shared spaces and also provides liability coverage for the association.

The primary component of Petrini's **HOA Insurance** that relates to this document and more specifically, water damage, is Property Coverage – which protects the physical structures and common areas owned by the HOA.

This document will help you understand how Petrini's insurance works, when and how to file a claim if you're eligible, and the general process for water damage resolution.

WATER DAMAGE IN A CONDOMINIUM

Of all the problems that can occur in a condo complex, water damage is the most common and perhaps the most costly and inconvenient for everyone involved. Even small water leaks in your unit can travel quickly affecting adjacent units and even floors beneath.

Sources of water leaks originate from neglected maintenance, old or damaged fixtures and appliances, improper renovations and use of unlicensed or unqualified workers, improper use of fixtures or appliances, damage to fire sprinkler heads and in some cases random events.

When a leak occurs, the first obvious step is to stop it to prevent further damage. After it's stopped, damage is assessed and then remediated. Remediation involves removing water and water-soaked materials to allow for inspection and drying. Lastly, restoration occurs to bring everything back to original condition.

Throughout this process, insurance representatives and most often, property management, are involved to ensure units are properly restored, work is done to code and all parties responsible pay their fair share. The remainder of this document will help you understand this process.

WHAT IS THE GENERAL PROCESS FROM WATER LEAK & DAMAGE DETECTION TO FINAL PAYMENT?

FIRST, MINIMIZE DAMAGE	<ol style="list-style-type: none">1. STOP source of leak if possible and minimize damage.2. OWNER alerts Onsite Property Manager (during office hours if available) and Bay West Emergency Services (after hours or if Property Manager can't be reached), evening security (if they're onsite), adjacent neighbors (if it is thought that water damage extends beyond your unit).3. Once everyone is notified, the process is set in motion to ensure everyone involved provides an immediate and professional response.4. If the leak has not yet been stopped, one or more of the contacts above will help by getting someone on site qualified to stop the leak.
GET INSURANCE INVOLVED	All affected owners with damage, regardless of the cause and who is responsible, should call their own insurance carriers.
MANAGEMENT COMPANY INVOLVEMENT	<ol style="list-style-type: none">1. Bay West Property Management has coordinated the response to practically all water leak issues on the property. There is a system in place to help homeowners work through the process from initially minimizing damage to full restoration (outlined in this document). In many cases, this will be a homeowner's first major problem and they will not know who to call and what steps to take.2. As part of this process, BW Property Management can charge a management fee to the unit who was responsible for the problem (this fee is typically not paid by insurance companies).
FIX CAUSE	Once a cause is identified (e.g. damaged valve, leaking appliance or toilet overflow): The HOA repairs HOA-originated problems (either in a unit, multiple units or in common areas). or The OWNER repairs OWNER-originated problems (Note, homeowner policies typically DO NOT reimburse owners for repairing the cause of the leak – insurance is used to restore damage caused by the leak).
FIX DAMAGE	Once the cause is understood and repaired: <ol style="list-style-type: none">1. All resulting damage gets fixed by the OWNER of the damaged location (occasionally property management can get involved and help coordinate, depending on the extent of damage and restoration and particularly if the HOA is responsible for the damage).2. If multiple units are involved, each OWNER repairs their own unit and works with their own insurance company to make them whole. Again, each owner that has damage is responsible for fixing their own damage in their own unit regardless of who caused the damage.3. Damage in common areas is repaired by the HOA.
SETTLE CLAIMS	<ol style="list-style-type: none">1) If the HOA is responsible (roof leak, waste line backed up beyond unit):<ol style="list-style-type: none">a) Homeowner's Insurance pays all expenses (except the repair of the problem) and deductible.b) HOA pays all uninsured expenses<ul style="list-style-type: none">- Insurance companies don't usually pay for the repair of the issue causing damage- Insurance companies don't usually pay for the management response / management fee- Deductible- Gaps in coverage or other miscellaneous expenses

	<p>c) When multiple units are damaged, the unit's insurance will negotiate with the HOA or HOA's insurance on responsibility. Regardless, the HOA will attempt to put all insurance companies in touch with each other to work out the claims between themselves.</p> <p>d) If the HOA is responsible for the cause, it is likely that the HOA might also get involved with the in-unit repairs depending on the situation.</p> <p>2) If the cause is OWNER responsibility (toilet overflow, broken water supply line, faulty appliance)</p> <p>a) OWNER pays all uninsured expenses of the loss</p> <ul style="list-style-type: none"> - Uninsured costs include but may not be limited to HOA policy deductible, management fees for settlement of claim (10%) and staffing costs related to claim. - If damage is only in one unit, except for the insurance coverage, the HOA does not generally get very involved unless a common area is affected. - If damage affects other units or HOA common areas, all costs should be reported to all insurance companies and the responsible unit OWNER should pay whatever is left unpaid.
HOA INSURANCE SETTLEMENT (If a claim is made against the HOA Policy)	<p>1) All costs should be reported to all insurance companies regardless of whose policy it is.</p> <p>2) The HOA should reconcile all claims involving HOA insurance.</p> <p>a) This is a simple spreadsheet listing all inflows (insurance checks) and outflows (all costs) with a final difference of unpaid balance.</p> <p>3) Once the insurance companies provide lists of covered items and checks are issued:</p> <p>a) The HOA should deposit funds into HOA accounts.</p> <ul style="list-style-type: none"> - If it is a large claim, it may take months to complete all the work. In this case, the check is deposited into a separate bank account. - If there is a small claim, it is simple and quick and not worth the expense of opening a new bank account. <p>b) HOA should pay for all HOA obligations first from this check (HOA contracted emergency response, HOA management of claim etc.)</p> <p>c) Balance of claim proceeds should be paid out to the responsible OWNER and the claim is closed.</p>
OWNER'S OWN INSURANCE SETTLEMENT	<p>Owner's insurance generally reimburses all expenses owner needed to pay except for their policy deductible (\$1000+) and the repair of the actual cause of the problem (for example, plumber to unclog toilet).</p>

WHEN CAN A CLAIM BE FILED AGAINST THE HOA INSURANCE?

CRITERIA – CLAIM IS LESS THAT THE POLICY DEDUCTIBLE.	<ul style="list-style-type: none"> First and foremost, the amount of damage should exceed the HOA INSURANCE POLICY DEDUCTIBLE, otherwise a claim will be denied. If the damage is less than the deductible, the HOA may consider paying our liability from the operating funds.
CRITERIA – CLAIM IS MORE THAT THE POLICY DEDUCTIBLE.	<ul style="list-style-type: none"> In this case, the HOA will be responsible for the deductible and all excess costs are paid by the HOA insurance (if approved)
WHO CAN FILE A CLAIM AGAINST HOA INSURANCE	<ul style="list-style-type: none"> Any OWNER or their OWNER'S INSURANCE company can pursue a claim against the HOA's INSURANCE.

WHO'S INSURANCE PAYS (OWNER OR HOA)? (all uninsured costs of a claim are paid by the OWNER unless they have insurance)

OWNER – SOURCE OF DAMAGE (to their unit, other's unit(s) or to the common area) – broken value, broken supply line, overflowing toilet, clogged drain, improperly caulked bathtub or shower, incorrectly installed appliance, random failures, improper maintenance	<ul style="list-style-type: none"> OWNER pays their insurance deductible. OWNERS INSURANCE pays the deductible for HOA INSURANCE if a claim is filed against HOA INSURANCE (assuming the damage exceeds the HOA INSURANCE deductible). HOA INSURANCE PAYS if a claim is filed and the damage exceeds the deductible and if they approve.
OWNER – SOURCE OF DAMAGE WAS ANOTHER UNIT	<ul style="list-style-type: none"> OWNER files a claim with their insurance. However, their insurance will pursue reimbursement from the OWNER who was the cause of damage.
HOA - SOURCE OF DAMAGE Common area components cause damage	<ul style="list-style-type: none"> HOA PAYS (from our operating budget, i.e. from owner assessments) if the damage is less than our deductible. HOA INSURANCE PAYS if a claim is filed and the damage exceeds the deductible. HOA pays deductible.

TYPICAL BILLS THAT NEED TO BE PAID

LEAK STOP / REMEDIATION	<ul style="list-style-type: none">▪ Emergency Plumber as needed to shut off water or assess situation▪ Water Damage Remediation Company – remove water, open walls / ceiling, remove damaged materials, bring in fans and heaters to dry unit.
RESTORATION / REPAIR	<ul style="list-style-type: none">▪ Plumber to install new appliances, fittings, fixtures, valves, supply lines▪ Contractor to reinstall wallboard, baseboards, trim, etc.▪ Painter to paint all reconstructed surfaces.▪ Carpet or tile professional to install new flooring
GENERAL	<ul style="list-style-type: none">▪ Management Company fees for coordinating the response, repairs and finances.▪ Insurance Deductibles

CONSIDERATIONS AND COMPLICATIONS FROM WATER DAMAGE

INCONVENIENCE	<ul style="list-style-type: none">▪ You may not be able to live inside your unit until repairs are made – if displaced you will have relocation costs.▪ You may be living with noisy FANS and HEATERS to dry out your unit▪ You will have to deal with inspections, tradespeople▪ You may have to replace damaged furniture or belongings▪ You may need time to pick out new appliances, new flooring, paint colors, etc. just to replicate things before the damage▪ You may not be able to work from home or you may need to be home to supervise activities
OUT OF POCKET EXPENSES	<ul style="list-style-type: none">▪ You may be responsible for deductibles if your unit is the origin of the problem▪ You may have to pay for items not covered by insurance (management fees are not always covered)▪ You'll have to pay to fix the original cause (insurance won't pay)▪ You may have to pay for upgrades or extra for depreciated items if what you originally had is no longer available▪ You may need to pay for relocation if unit is uninhabitable▪ You may need to pay for bills first, before being reimbursed by insurance
PETS, CHILDREN, GUESTS, RENTERS	<ul style="list-style-type: none">▪ The whole process of water damage and restoration can be extremely disruptive to pets, children, guests and renters.
NO INSURANCE?	<ul style="list-style-type: none">▪ Some owners do not carry insurance to save costs.▪ This could result in litigation to recover costs from you

Overall, there are many variables in insurance settlements that cannot be captured here. Each situation is unique and insurance policies can differ from owner to owner. Overall, both your insurance carrier along with property management can help you navigate a difficult and stressful situation.

IN SUMMARY

- Every homeowner should have their own HO-6 Policy (and if they rent, insist tenants have an HO-4 Policy).
- When an emergency happens, call Property Management's EMERGENCY number (415) 445-2132 (especially if after hours and no onsite manager is available). Homeowners should take every measure to stop the leak, mitigate further damage and prepare for remediation and restoration.
- Homeowners should also call their own insurance agent to disclose the event and seek further help. Through the whole process, document everything with photographs, keep copies of all invoices related to the water problem and keep property management abreast of the process.



HANH T. PHAM
hpham@hughes-gill.com

December 12, 2023

To: All Members
Petrini Place Homeowners Association ("Association")

Re: Notice of Reduction in Property Insurance Coverage and Increase in Premiums

Dear Association Members:

This office is general counsel for your Association. In that capacity, we have met with your Board of Directors ("Board") as it grapples with severe changes in the availability of property insurance for Petrini Place. The Board hosted a townhall meeting by Zoom, which was well-attended by approximately 60 members on December 11, 2023, when the Association's insurance broker, Michael Miller, and Association's attorney, Hanh Pham, responded to questions about the reduction in property insurance coverage and increase in insurance premiums.

The Association was unable to obtain renewal insurance for full replacement value of the units and the insurance premium has increased exponentially forcing the Association to seek significant additional funding from its membership.

This constitutes notice that the newly bound Association's property insurance has a \$76 million policy limit, same as the previous policy that "non-renewed" at end of November. However, the new policy has a reduction in coverage of the units to "bare walls" coverage for the units (up to the studs). In addition, the annual insurance premiums have increased from \$96,662 to \$907,784. The Association's insurance deductible has also increased from \$10,000 to \$100,000.

Lenders for potential buyers of condominiums may not be willing to lend on the properties if they, or all Association buildings, are not insured to their full replacement value. Lenders can take a myopic view of insurance in that, unless the Declaration of Conditions, Covenants and Restrictions ("CC&Rs") are followed to the letter, the lenders see their collateral at risk and will not go forward.

There will be further communications from the Board as things develop and the availability and future costs of insurance becomes better known. In the meantime, in anticipation of what appears to be an inevitable modification to the insurance scheme at Petrini Place, each homeowner is urged to immediately consult his or her individual insurance agent to explore obtaining complete replacement property insurance coverage for their individual unit and its contents.

All Members

Re: Notice of Reduction in Property Insurance Coverage and Increase in Premiums

September 7, 2025

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If you have any questions, please contact the Association's manager, Colin Lynch, at clynch@bwpm.com.

Very truly yours,

HUGHES GILL COCHRANE TINETTI, P.C.



Hanh T. Pham

HTP: dkb