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& Mahalo to our 2023 Board of Directors!

Message from the President

Aloha Community Council Members and Sponsors,

WOW! Insurance, Insurance..... Hot Topic right now and the April Seminar is heating up! Experts from the mainland will be speaking to us about this what's happening in this TOUGH market! So please be sure to join us April 26th for the annual Insurance Seminar!

I would like to welcome our new Board Members; Weylin Hokutan, Purchasing Hui; Christine McGuire, CIT Bank; Sharon Heritage, Board Member Makena Surf and Erin Pascua, Marketing Premier Restoration.



We strive to have a mix of vendors, board members, association employees and professionals serving Association Management. This brings in all perspectives as we bring more education to our members.

Since the heat is on, get ready for another summer of HOT TOPICS. Brought to you by Structural Concrete Restoration and Bonding. As usual there will be two seminars, one on the west side and one on the south side. July dates will be determined and posted soon.

See you in April,

Lisa Cano

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SAVE *the* DATE

2024 Seminar Dates

April 26th

September 6th

October 11th

November 22nd

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WASH



Insurance Market Update: Property Insurance in Hawaii

Friday, April 26, 2024
King Kamehameha Golf Club

Elaine Panlilio
AOAO Unit Manager



Jim Sipich
Heather Deugan
Senior Vice President



Paul Shimomoto
President



Michael Onofretti
Representative



WHAT IS GOING ON?!

- State of the Insurance Marketplace
 - Local, Admitted Market Update
- Global Market Update/Secondary Market
- Captive/Self-Insurance – is this an option?
- SB3234 Stabilization Of Property Insurance
 - What's Ahead for Associations

***Big MAHALO to our
breakfast pastries
sponsor!***



Shari Lau
***Production
Underwriter***

Decoding the Surge: Understanding the Factors Behind Significant Insurance Premium Increases



An alarming trend in the condominium world is the drastic increase in Property insurance premiums and the decreasing capacity and availability of insurance options for community associations.

The main reasons for the increase in premiums are the increase in reinsurance costs due to weather related catastrophes. Reinsurance is essentially insurance for insurance companies. Insurance Companies need to purchase reinsurance to mitigate their exposure to large catastrophic losses and to manage risks and the amount of capital they must hold to support those risks.

Weather related losses are on the rise with record high insurance losses from the past years. Annual insured losses at \$100 billion a year appear to be the “new normal”. As climate change increases the frequency and severity of natural catastrophes, insurers are raising their premiums/rates, essentially doing rate corrections to account for the heightened risk of property damage, increase in claim payouts and to stay in business.

- In 2021, Hurricane Ida was the largest insured loss event and the fourth costliest hurricane on record with \$36 billion in insured losses. Natural catastrophes in 2021 resulted in a total \$111 billion in insured losses.
- In 2022, Hurricane Ian was the largest insured loss event and the second costliest hurricane on record with \$60 billion in insured losses. Natural catastrophes in 2022 resulted in a total \$120 billion in insured losses.
- In 2023, the Lahaina wildfires ranks among the top 10 deadliest wildfires in US history, with \$3.2 billion in property losses.

For the last few years, the insurance industry has been experiencing an extreme hardening of the market characterized by significantly higher insurance premiums. In a hard insurance market insurance companies become more conservative and stricter with their underwriting guidelines, we are faced with more questions and requirements from underwriters, a more thorough and longer review of applications and renewals as well as fewer insurance companies willing to write

Decoding the Surge: Understanding the Factors Behind Significant Insurance Premium Increases

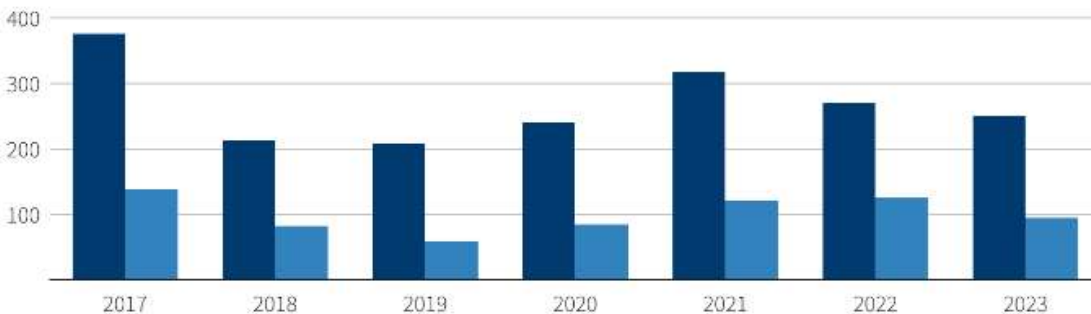
coverage. To weather the challenging conditions and to stay in business, some insurance companies are opting to dramatically trim their portfolio by offering only partial Hurricane coverage or by non-renewing less desirable accounts.

The key to minimizing the financial impact of a hard insurance market is in loss prevention and effective risk management. If a community association can show underwriters that they are proactive in preventing losses through regular maintenance and not deferring the necessary updates to the building structure, roofing, plumbing and electrical, insurance companies will look at these favorably and will help in keeping the property insurance premiums reasonable.

Damages from natural catastrophes

Insured losses from natural catastrophes in 2023 were less than in 2022 but above long-term trends. Losses, in billions of U.S. dollars:

● Total losses ● Insured losses



Note: The hurricane-ridden year of 2017 was a record for losses.

Source: Munich Re | Reuters, Jan. 9, 2024 | By Tom Sims

Reuters Graphics

Decoding the Surge: Understanding the Factors Behind Significant Insurance Premium Increases



Top 10 Costliest Global Tropical Cyclones by Insured Losses, 1900-2023 (1) (2023 US\$ billions)

Rank	Date	Country/region	Event	Insured loss	
				Dollars when occurred	In 2023 dollars (2)
1	Aug. 2005	U.S.	Hurricane Katrina	\$65	\$102
2	Sep. 2022	U.S., Cuba	Hurricane Ian	54	56
3	Sep. 2017	U.S., Caribbean	Hurricane Irma	33	42
4	Aug. 2021	U.S., Caribbean	Hurricane Ida	36	41
5	Oct. 2012	U.S., Caribbean, Canada	Hurricane Sandy	30	40
6	Aug. 2017	U.S.	Hurricane Harvey	30	38
7	Sep. 2017	U.S., Caribbean	Hurricane Maria	30	37
8	Aug. 1992	U.S., Caribbean	Hurricane Andrew	16	35
9	Sep. 2008	U.S., Caribbean	Hurricane Ike	18	26
10	Oct. 2005	U.S., Caribbean	Hurricane Wilma	13	19

(1) Includes losses sustained by private insurers and government-sponsored programs. Subject to change as loss estimates are further developed. As of January 2024.

(2) Adjusted for inflation by Aon using the U.S. consumer price index.

Note: Loss data shown here may differ from figures shown elsewhere for the same event due to differences in the date of publication, the geographical area covered and other criteria used by organizations collecting the data.

Source: Aon.

Reference Materials:

<https://www.iii.org/fact-statistic/facts-statistics-global-catastrophes>

<https://www.reuters.com/business/environment/hurricanes-floods-bring-120-billion-insurance-losses-2022-2023-01-09/>

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<https://www.nytimes.com/2023/08/25/business/hawaii-fires-insurance.html>

About the Author:

Elaine Panlilio, CRM, CIC, CISR is the AOA Unit Manager at Atlas Insurance Agency, the largest locally owned insurance agency in Hawaii. Elaine has 18 years of insurance experience and holds the Certified Risk Manager, Certified Insurance Counselor and Certified Insurance Service Representative professional designations from the National Alliance for Insurance Education and Research.

She is a member of the CAI Legislative Action Committee and the State of Hawaii DCCA Condominium Task Force.



A woman with long brown hair, wearing a white blazer over a black top and blue jeans, is looking upwards with a concerned expression. She is holding a black smartphone to her ear with her right hand and a large blue bucket under a shower of water with her left hand. The background shows a window with white blinds and a wooden shelving unit with various items.

I'VE JUST HAD A WATER DAMAGE
EVENT IN MY BUILDING

....NOW WHAT?



DETERMINING SALVAGEABILITY BASED ON THE CATEGORY OF WATER, PRESENCE OF MOLD OR REQUIREMENT FOR ASBESTOS TESTING

The categories of water refer to the range of contamination in water, considering both its originating source and quality after it contacts materials present on the job site. Determining the category of water has great implications on the scope of work and the length of time for completion of a water loss job. In addition, we also test suspect hazardous building materials in order to determine if asbestos or lead testing is required. In order to determine the category of water, we use the following definitions:

Category 1 water originates from a sanitary water source and does not pose substantial risk from dermal, ingestion or inhalation exposure. Examples of Category 1 water sources can include, but are not limited to: broken water supply lines; tub or sink overflows with no contaminants; appliance malfunctions involving water-supply lines; melting ice or snow; falling rainwater; broken toilet tanks and toilet bowls that do not contain contaminants or additives. Category 1 water can deteriorate to Category 2 or 3. Category 1 water that flows into an uncontaminated building does not constitute an immediate change in the category.

CATEGORY 1

- ORIGINATES FROM A SANITARY WATER SOURCE
- DOES NOT POSE SUBSTANTIAL RISK FROM INGESTION OR INHALATION
- EX. SINK OVERFLOW, BROKEN WATER SUPPLY LINE FROM A CLEAN SOURCE

Category 2 water contains significant contamination and has the potential to cause discomfort or sickness if contacted or consumed by humans. Category 2 water can contain potentially unsafe levels of microorganisms or nutrients for microorganisms, as well as other organic or inorganic matter (chemical or biological). Examples of Category 2 water can include, but are not limited to: discharge from dishwashers or washing machines; overflows from washing machines; overflows from toilet bowls on the room side of the trap with some urine but no feces; broken aquariums and punctured water beds.

CATEGORY 2

- WATER CONTAINS SIGNIFICANT CONTAMINATION
- CAN CAUSE SICKNESS IF CONTACTED OR CONSUMED
- EX. OVERFLOW FROM TOILET BOWL WITH URINE ONLY (NO FECES), OVERFLOW FROM DISHWASHER

Category 3 water is grossly contaminated and can contain pathogenic, toxigenic or other harmful agents and can cause significant adverse reactions to humans if contacted or consumed. Examples of Category 3 water can include, but are not limited to: sewage; wasteline backflows that originate from beyond any trap regardless of visible content or color; all forms of flooding from seawater; rising water from rivers or streams; and other contaminated water entering or affecting the indoor environment, such as wind-driven rain from hurricanes, tropical storms, or other weather-related events.

CATEGORY 3

- WATER IS GROSSLY CONTAMINATED
- CAN CONTAIN TOXIC & HARMFUL PATHOGENS AND CAUSE SIGNIFICANT ADVERSE REACTIONS IF CONSUMED
- EX. SEWAGE SPILLS, FLOODING FROM AN OUTSIDE SOURCE (RISING FROM RIVERS OR STREAMS)

If a regulated or hazardous material is part of a water damage restoration project, then a specialized expert may be necessary to assist in damage assessment. Restorers shall comply with applicable federal, state, provincial and local laws and regulations. Regulated materials posing potential or recognized health risks can include, but are not limited to: arsenic, mercury, lead, asbestos, polychlorinated biphenyls (PCBs), pesticides, fuels, solvents, caustic chemicals and radiological residues. Qualified persons shall abate regulated materials, or should remediate mold prior to restorative drying.

REGULATED, HAZARDOUS MATERIALS & MOLD

MATERIALS SALVAGEABILITY CHART

Once the category of water is defined, we can then determine which materials can be saved during the restoration process and which materials need to be removed. Below are the definitions and a reference table to assist you in making these determinations. Should a conflict arise at any point with regards to materials and their salvageability, please elevate the conversation to your island's Mitigation Manager.

Test ASB	Materials that may be hazardous and require testing before removal	Dry	Dry in place, no removal needed
Cat 1	Category 1 Water	Dis	Clean and disinfect
Cat 2	Category 2 Water	Eval	Will need to be evaluated, some of these materials can be salvageable
Cat 3	Category 3 Water	Pad	Remove pad, clean, disinfect
ENV	Microbial Growth		

	Test ASB	CAT 1	CAT 2	CAT 3	ENV
FLOORING					
<i>Carpet—over pad</i>	No	Dry	Pad	Remove	Remove
<i>Carpet—glue down</i>	Glue only	Dry	Dry, Dis	Remove	Remove
<i>Vinyl—tile, plank or sheet goods</i>	Yes	Eval	Remove	Remove	Remove
<i>Laminate Wood</i>	No	Remove	Remove	Remove	Remove
<i>Wood—engineered or solid</i>	Glue only	Eval	Eval	Remove	Remove
<i>Tile—stone or ceramic</i>	Grout only	Dry*	Dry, Dis*	Dry, Dis*	Dry, Dis*
<i>Concrete or Wood Substrate</i>	No	Dry	Dry, Dis	Dry, Dis	Dry, Dis
<i>Multiple Layers</i>	Eval	Eval	Eval	Remove	Remove
<i>Abandoned Floors/Adhesive</i>	Yes	Eval	Eval	Remove	Remove
WALLS					
<i>Drywall—single layer</i>	Yes	Dry	Dry, Dis	Remove	Remove
<i>Drywall—multiple layers</i>	Yes	Eval	Eval	Remove	Remove
<i>Single Wall—wood</i>	No	Dry	Dry, Dis	Dry, Dis	Dry, Dis
<i>Paneling</i>	No	Dry	Dry, Dis	Remove	Remove
<i>Tile</i>	Grout only	Dry***	Dry, Dis***	Dry, Dis***	Dry, Dis***
<i>Wallpaper</i>	No	Eval	Remove	Remove	Remove
<i>Concrete or Block</i>	No	Dry	Dry, Dis	Dry, Dis	Dry, Dis
<i>Multiple Layers</i>	Eval	Eval	Eval	Remove	Remove
CEILING					
<i>Drywall—single layer</i>	Yes	Dry	Dry, Dis	Remove	Remove
<i>Drywall—multiple layers</i>	Yes	Eval	Eval	Remove	Remove
<i>Wood—engineered or solid</i>	No	Dry	Dry, Dis	Remove	Remove
<i>Acoustic Texture</i>	Yes	Dry**	Dry**	Remove	Remove
<i>Concrete</i>	No	Dry	Dry, Dis	Dry, Dis	Dry, Dis
INTERIOR FINISHES					
<i>Cabinetry & Countertops</i>	No	Dry	Dry, Dis	Remove****	Remove****
<i>Base Moulding</i>	No	Eval	Eval	Remove****	Remove****
<i>Plumbing Fixtures (toilet, sink, etc.)</i>	No	Dry	Dry, Dis	Remove****	Remove****

* If over wood substrate, it may need to be removed due to swelling of wood substrate.

*** If tile is installed over other materials, follow procedure for those materials.

** If texture remains intact.

**** It is common for these finishes to be detached, cleaned, disinfected & reinstalled. They likely will need to be removed in order to remove the walls and/or flooring behind or under them.

Annual Meetings: Answers to Frequently Asked Questions

Important information for owners in condominiums, cooperatives and planned communities

Do you own in a Condominium or community association? Chances are, during the first quarter of each year, you will see a notice posted for your association's Annual Meeting. Shortly thereafter, you should receive an annual meeting packet, which includes a meeting notice and agenda, a "proxy" ballot (more on that later) and the previous years' meeting minutes. Here are some common questions about the purpose of annual meetings and what goes on.

What is an annual meeting?

An annual meeting is a meeting of the members of the association or corporation that is held once a year for the purpose of conducting the specific business of the group, such as the election of the board of directors, or amendments to the governing documents. Annual meetings are different from (and sometimes confused with) board of directors' meetings, where the day-to-day business of the association is handled.

Who can attend my association's Annual Meeting?

Annual Meetings are for all of the members of the association – in other words, the owners of all units or homes in these properties.

What happens at the meeting, and why should I attend?

One of the primary purposes of the annual meeting is to elect members of the board of directors. Often due to term completion or resignations, director positions must be filled. It is important to note that the board of directors of your association has the fiduciary responsibility to make the day-to-day decisions regarding your property, which makes your say in who is elected very important. In addition, you will receive financial reports, adopt the tax resolution and possibly amend the governing documents during the meeting. All members are encouraged to attend, and to participate in setting the direction of the organization for the coming year.



How is the agenda and meeting format determined?

Your association bylaws contain a specific agenda for all annual meetings. It is the job of your managing agent to provide the board president a written script for the meeting, which he or she must follow. In addition, Robert's Rules of Order, the standard procedural format for all annual meetings, will require a certain procedure and language for your meeting.

What is "quorum," and why is it necessary at the meeting?

A "quorum" is the percentage of people necessary to conduct business at a meeting. It is normally a majority of the owners or co-op members, but may be less. This requirement is listed in your association's bylaws.

What is a proxy, and why is it important?

A proxy permits the member to assign his or her vote to someone else, in the event that the owner cannot be present to vote in person. The proxy holder should be someone the member trusts. Your proxy is used to help establish quorum for the meeting. A quorum must be established for any business to be conducted at the annual meeting.

What should I do with the proxy when I receive it?

Complete the proxy and mail it back as soon as possible, even if you are planning on attending the meeting. You can always get

it back if you attend the meeting. In addition, returning your proxy can save your association money by eliminating the need for additional mailings to establish quorum. Proxies are required for condo associations. Similar proxies may be used for planned communities & co-ops, but are not required. Check your documents or with your manager for the specific requirements for your association.

Methods of Voting

There are several methods of voting which may be used in different situations, and are stipulated by your association documents and/or state law. These include majority vote, majority of owners, percentage of common interest, unanimous consent and cumulative voting. A majority vote (of both those present and by proxy), for example, may be required at a meeting to adopt a motion or action. Other items, however, may require a majority of owners (over 50%), whether they are at the meeting or not.

Can my concerns be addressed at an annual meeting?

While additional questions and concerns cannot be brought up during the formal meeting, most annual meetings feature an "owners' forum" after the meeting. This is a

time where owners can discuss their questions and concerns with the board.

As a rule, most annual meeting problems arise only when something unexpected happens, such as someone making a motion not on the agenda, or attendance by a non-owner. Your managing agent is equipped to handle these and other common occurrences. If more complex issues are expected, arrangements to have a professional parliamentarian run the meeting is a wise move.

Annual meetings don't have to be somber events. Many associations conclude with refreshments and a little social time. Annual meetings can be fun and even festive, and an opportunity to get together with your neighbors.

For more information about the services provided by Hawaiian Management Company please contact: Mele Heresa, CCIM®, CPM®, RB# 21752, at meleh@hmcmtg.com or (808) 593-6827.



Photovoltaic System Maintenance, Why?

When people are installing photovoltaic (PV) systems the question of maintenance is coming up more and more. When the boom in Hawaii started it was a set it and forget it mindset and people were told there is no need for PV maintenance. This is no longer the case as the years that have passed have shown home and business owners you do need to do maintenance on the system, or you can have major losses to your energy production. You may ask *Why* do I need to do maintenance and what do I even need to do.

Like all pieces of equipment there is a manual that explains what should be done to keep your new piece of equipment operating. The issue is the PV system is not one component, it is a variety of components that are installed to work together. A general PV maintenance plan can be broken down into 5 general sections, I have them listed from your basic to the more advanced areas of a solid PV maintenance plan.

1. Monitoring
2. System Visual Inspection
3. System Cleaning
4. System Testing
5. Thermal Imaging

Here is a general overview of each of the items listed- (more details on these sections will be in the next issues of Building Management Hawaii!)



Figure 1 panels that were not cleaned and have major mold build up – they are not getting any sunlight

System monitoring: (basic) this is equivalent to a heart monitor and blood test for you it makes sure things are working as they should be and is the easiest and most accessible assessment of the system. You can remotely log in and see how the system is doing.

Photovoltaic System Maintenance, Why?

System visual inspection: (basic) This is exactly what it is, we will look at all the components of the system from the ground up. Panel and inverter manufacturers recommend a minimum of an annual visual inspection of the equipment. We are looking to see if there is any obvious damage. This is the best example to give when looking at the PV Panels, if you have 20 installed and 1 looks different there may be an issue. You are also seeing if the mango tree that once was small and is now large is shading your panels.

System cleaning: (more advanced) Your PV panels work with the amount of sunlight coming into them, if you have dirt, tree, sap, mold or bird droppings covering the panels this will stop the sunlight from reaching the PV panel and make less energy. This also includes cleaning inverter filters or air intakes, this is to ensure the equipment is as cool as possible so the electrical components operate at peak efficiency.

System testing: (more advanced) This is testing of the energy on the system there are specific pieces of testing equipment for different types of systems, and a licensed contractor is the one you want to do it. This will collaborate with the monitoring items you are seeing and give a more detailed analysis of your system exact health. This is like getting an MRI or having an EKG.

Thermal Imaging: (Advanced) This is a use of technology that identifies a thermal anomaly on a piece of equipment and there are certifications for thermal imaging. This can see what the eye can't see. The use of thermal imaging of the PV systems has dramatically increased in recent years due to the great details this can provide on parts of the system that can't be seen with the naked eye.



Figure 1 damaged junction box found during visual inspection. This was filled with water and caused the system to trip off line



Figure 2 when you let the lawn become part of your solar panel

Photovoltaic System Maintenance, Why?

When you have an installed photovoltaic system, it is really a photovoltaic investment and an investment that when purchased has an ROI, if the system is not maintained the ROI will not be what was expected at initial purchase. It is recommended to work with a licensed photovoltaic contractor to help you protect your solar investment as there are nuances to the system, they are familiar with.

One item in the maintenance plan that is critical is to keep all the records of the work performed on the system since it was installed, this should be in the form of a written report or at a minimum photo documentation with the licensed contractor number on it.

Most manufacturers recommend an annual cleaning and inspection of the system and some systems if this is not done the warranty is voided. Manufacturers are asking in some cases for five (5) years of maintenance records and if this is not provided, they void the warranty as was stated in the manual, they provided that annual maintenance needs to be conducted.

Protect your solar investment and let it keep paying you back like the long-term annuity you invested in.

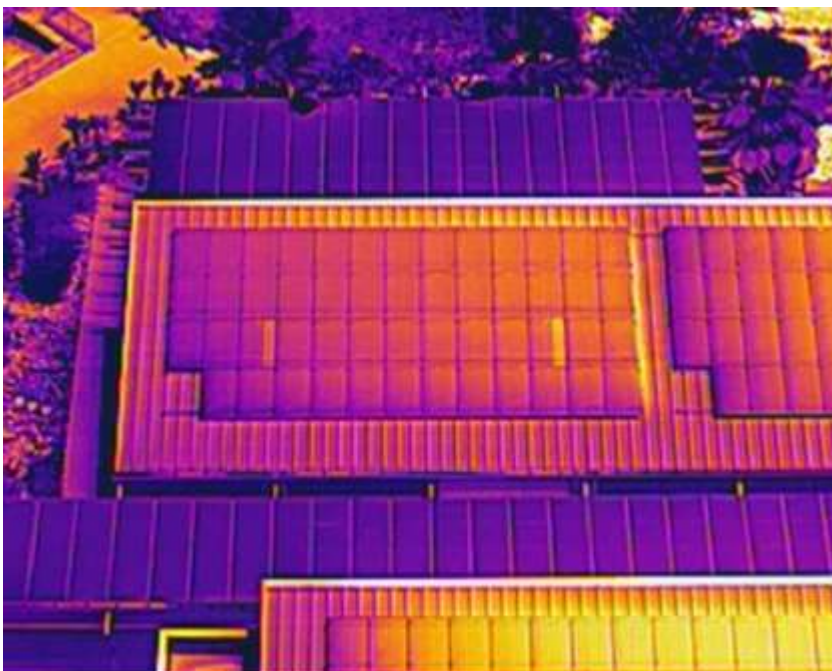


Figure 6 thermal imaging drone showing two panels with a panel issue - can not be seen with naked eye this is a thermal anomaly

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March 2024

HRS 514B Amendment and Reserve Studies – One year later

The HRS 514B amendment that provides changes to condo associations' administration and management has been in effect since 1/1/2023. The changes have been widely welcomed by associations (AOAO, AOUO, HOA and HOU), property managers and owners.

Summary of 514B Amendment

Clarifies that sixty-seven per cent of unit owners may amend a condominium declaration at any time by vote or written consent, unless the declaration specifies a higher percentage. Requires developers to include annual reserve contributions based on a reserve study. Clarifies time and date requirements for petitions to amend bylaws and calls for special meetings; electronic, machine, and mail voting; time frame for approval of minutes; and board meeting participation. Expands when electronic, machine, and mail voting is authorized. Requires a condominium association's reserve study to be reviewed by an independent, certified reserve study preparer, who shall not be affiliated with the managing agent of the association and reviewed or updated at least every three years. Specifies that reserve cash flow plans be based on thirty-year projections, not twenty years.

What Does the Reserve Study Identify?

The reserve study identifies: (i) What the components are that the Association is obligated to maintain, repair, or replace, (ii) The lifespan of those components, (iii) The estimated costs for those components. Ideally, all major repairs and replacements should be covered by a Reserve fund. It is not advisable to have any assessments or loans if possible. The estimated lifespan is based on using proper preventative maintenance. The study can be a good start to creating a Preventative Maintenance (PM) program.

A reserve study provides a current estimate of repairing or replacing 'common element' and 'limited common element' components of the Associations' property. The common element components usually include roofs, paving, electrical distribution, all plumbing, swimming pools, tennis courts, elevators, painting, siding, and landscaping. The limited common elements usually include parking stalls, mailboxes, and unit lanais. Some studies may miss other items like vehicles, carts, solar water heating, office equipment, alarm systems, planter boxes, wallpaper, ventilation, irrigation, trellises, garage doors, murals, artwork, water heaters, pumps, and motors. A reserve study can include new projects approved by the Board of Directors and owners like new parking stall roofs, solar photovoltaic, and hot water solar systems.

What is Not Included in a Reserve Study?

Reserve studies do not normally include structural engineering, plumbing, or electrical analysis. But a study can include funds to inspect these items and then the next study should identify and fund the repair or replacement of the findings. As buildings age, insurance companies and owners are paying more attention to the studies and looking to ensure these items have been included.

How Much Should be in our Reserve Account?

A 'healthy' reserve fund should be 50% funded, or higher. A good reserve study will show owners and potential buyers an accurate and complete picture of the Associations financial strength and market value. It is a good idea to set a minimum reserve or target balance. Also, a good study will provide a plan to achieve 50% funded or higher, review of the insurance policy, outline the Declaration requirements, and include a five-year project summary. Annual reserve studies are recommended especially when properties are completing major projects, have changes in the reserve balance, or need adjusting for inflation and reserve investment rates.

Be Prepared and Informed

Most Association budgets are on a calendar year basis and the process for preparing a reserve study should start mid-year for the next budget year. This provides time to conduct the reserve study, have budget committee meetings and a quarterly association meeting to approve the budget, and mail to owners prior to the end of the budget year.

Most recently, condominium owners have incurred increased insurance premium costs, insurance deductibles, and maintenance fees. Condominium vacation owners have also incurred increased property taxes. Some owners try to decrease the Reserve contribution to offset those increases. However, a proper reserve study can save money by directing repairs or replacements at the correct time. Postponing the repairs or replacement will only increase the costs later. Creating a 30-year plan will outline when the biggest expenses will occur. The pandemic inflated costs to double and triple for many items. Many properties are aging and need an effective long-range plan. Working with your reserve specialist will provide for good financial strength, property aesthetics, and improved building condition.

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