



# Monthly Newsletter

August 2019

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*Most insurance policies exclude the cost to remediate mold damage.*

## How to deal with plumbing leaks to prevent unnecessary damage and minimize out-of-pocket costs.

Plumbing leaks can be expensive to repair and are more expensive if not dealt with properly. One of the biggest issues when dealing with water damage is whether to make an insurance claim and that generally depends on whether the cost of repair substantially exceeds the insurance deductible.

When making a claim, a property owner should understand that insurance companies will not pay to fix the underlying plumbing problem but generally will pay to fix any resulting water damage except mold. Mold remediation and water damage can often be overlapping, such as when a sheet of drywall needs replacing because it is soaked and also because it has mold growth. Insurance may agree to reimburse because it is soaked but not because of the mold. Therefore, correctly explaining to an insurance adjuster why exactly a sheet of drywall has to be replaced is very important.

We recently had a situation at a house that we manage where there was a pinhole leak in a copper pipe inside a wall. For weeks, water collected under a cabinet on top of tile floors before eventually flooding out into the kitchen and laundry room. The tenant did not notice the leak until water was flooding into the laundry room and kitchen. When the tenant eventually noticed the water and contacted us, we immediately notified the property owner and she decided to manage the project herself. The contractor who she sent to the house then ripped out all the cabinets and disposed of the granite kitchen countertop. In hindsight, we would have preferred if the contractor had tried to salvage the countertop.

Once he was done ripping everything apart, this contractor then put the property owner in touch with a different general contractor whose bid to put everything back together was twice what the insurance company was willing to pay. The property owner eventually found someone else to do the work at a cost approximately equal to what the insurance company was willing to pay but it took quite some time and trouble to figure everything out.

At California West, we are of course willing to let our clients manage projects like this on their own but our advice is to let us refer such projects to someone on our list of approved vendors with whom we have dealt before.

As in the situation described above, there are usually two phases to a water leak problem. The first emergency phase is to stop the water leak from causing further damage. In many situations, if we catch the leak in time then we can send out a contractor to suck up the water and dry everything out before there is too much saturation and mold damage and we must start replacing things. Often, this can be done for less than the cost of a deductible so no insurance claim is necessary. However, if there is too much saturation then the contractor will have to remove whatever is damaged to prevent the problem from getting worse over time.

The second phase is to put everything back together. If this is necessary then picking an appropriate contractor is very important because this can become very expensive. Most disaster restoration companies focus only on the first phase and then hand off the project to a general contractor, as happened in the example above. It is possible, however, to find a company that will manage the whole project from start to finish and our preference is to refer emergency work to a company that will manage from start to finish so the property owner has the option of going that route if appropriate.

*The first installment of property taxes are due by November 1 and late after December 10.*

Regardless of whether you choose to use the same company throughout or different companies for each phase, it is important to work with licensed contractors with experience at dealing with insurance companies. Otherwise, you will find yourself arguing with the insurance company and the contractor over whether the bid amount is reasonable.

In conclusion, we recommend a couple of things. First, we recommend speaking with an insurance broker about whether your policy has exclusions for mold damage. If possible, it is always better to avoid such an exclusion but that may be difficult to find. Second, we suggest asking about loss of rent coverage and making sure it is adequate because these sorts of projects often result in displaced tenants who may need compensation while the work is done to fix their rental. It is best to ask these questions now, before a problem arises, rather than wait and get an unwelcome surprise.

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### **Property tax bills should be arriving soon by mail.**

2019-2020 property tax bills should be arriving soon by mail. They will be due by November 1 and late after December 10. When we start receiving bills mailed to our office, we will post them on our system and pay the first installments as money is available.

If you do not see your property taxes paid on your financial statements by October, and you expect California West to be paying the bill, then please contact us so we can make sure that we have the bill and it gets paid. We can look up your bill online for you if you do not have a copy. You can also do that yourself at <https://services.slocountytax.org/> and you can see your payment history there as well.