

**23.07.23 Minutes of RP8 HOA Special Meeting - Open**  
**A Discussion of HOA master insurance policy status and funding**

**The Board's primary DUTY is to protect the HOA property:** Article V, Section 2 "The Board of managers shall be required to obtain and maintain to the extent obtainable insurance for the HOA common property, including the pool and clubhouse and general liability insurance for the residential units as well as directors' and officers' liability for Board Members."

**Call to Order:** Meeting was called to order by Bill Cave at 6:30 PM. Board members present were Bill Cave, David Sullivan. Also present on-site manager Linda Simmons. *(Residents' Signatures Attached)*

**Backstory & Shopping Insurance:** Bill provided resident attendees with a handout that gave a timeline of the events that led up to the board's need to shop for new insurance, and he reviewed this with residents.

Timeline of events

- 05.23.23 RP8 Board finds out about the non-renewal letter during a telcon with Rothberg Agency.
- 05.08.23 Middle Oak sends letter of Non-Renewal to RP8 I/C of McGarr & Assoc. and to Rothberg Agency
- 05.25.23 RP8 Board meets with Rothberg Agency at their office to discuss next steps.
- 05.30.23 Board met with an RP8 resident with extensive background in Risk management with the state.
- 06.01.23 Approached Marsh McLennan Agency (MMA). Charlie Ramsay acct exec. met with the board.
- 06.08.23 Met with MMA – Ramsay. (Discussion, Questions & Answers).
- 06.10.23 Board made decision to engage MMA.
- 06.15.23 All brokerage of Record letters written & signed, required data gathered and provided to MMA.
- 07.07.23 Board met with MMA to review quotes. Rothberg quote arrives.
- 07.10.23 RP8 Rep. signed insurance binders described in option 2 of MMA's proposal dated 07.10.23.
- 07.10.23 – 07.23.23 Determine payment methods and budget options.
- 07.23.23 Special Meeting to inform residents of status.

**HISTORY ANALYSIS:** Bill also reviewed RP8 Insurance History Analysis – rate changes since 2018.

**River Plantation Section VIII Insurance History Analysis**

	<u>Insurance</u>	<u>\$\$\$ Inc</u>	<u>YTD Inc</u>	<u>PTD Inc</u>	<u>PTD Inc</u>	<u>Per Unit</u>	<u>Per Month</u>
2018/2019	42,415.00					279.05	23.25
2019/2020	45,263.00	2,848	6.71%			297.78	24.82
2020/2021	47,824.00	2,561	5.66%	\$5,409.00	12.75%	314.63	26.22
2021/2022	52,856.00	5,032	10.52%	\$10,441	24.62%	347.74	28.98
2022/2023	81,622.00	28,766	54.42%	\$39,207	92.44%	536.99	44.75
2023/2024	184,808.05	103,186	126.42%	\$139,545	329.00%	1,215.84	101.32

**NOTES:**

Line item budget for 2023 for insurance is \$89,225	89,225.00
Monthly premium for Jan - June is \$39,263.36	(39,263.36)
	<u>(6,543.56)</u>
Insurance Line-Item Budget available July to Dec 2023	\$ 43,418

**Cost & Coverage Impact to residents:** Bill explained how the insurance increase impacts each resident and reviewed the payment options which would impact each individual unit by \$1215.84. He shared with the residents the results of our meeting with MMA on 07.07.23 to review quotes. *Rothberg quote arrived as well. (MMA Dec Page Attached)* One company, Lloyd's of London, gave two options. Option 2 was chosen by the Board. The premium will increase by 128% to \$184.8K but gave better insurance coverage than the option not chosen. NOTE: They received declinations from 27 companies who did not want to bid on our business for various reasons. *(Marketing Summary Attached)*

**Premium Summary and Comparison 07.10.23:** While no one is happy with the way the insurance renewal went, we are at the mercy of the insurance market. The cost of Rothberg's proposal was \$272,000 (247% increase) and had significantly worse deductibles than Marsh Lloyd's of London proposal - *Per Rothberg Proposal Summary 7.07.23. (Rothberg Dec Page)*

**NOTE: Condo and Apartment type exposures are receiving the worst of the rate increases.** The primary issues we have to deal with as a multi habitational community: Frame construction, Buildings over 30 years in age, and Proximity of buildings.

**Payment Options:** Our total insurance premium has increased from \$81,228 to \$184,808. In the past this was payable in equal payments over 12 months, and we collected the funds to pay as part of our monthly dues assessment. **Our 2023 – 2024 insurance policies are payable in full when invoiced.** Payment options considered:

- A. Accept the premium finance agreement brokered through MMA. Terms are 25% down and 11.3% interest. Down payment of \$37,728.50 and 10 payments of \$15,480.41.
- B. Apply for a Line of Credit (LOC) at Pinnacle against our funds. Our current savings balance is \$452,077.93, earning 4.75%. Payment options on the LOC to be determined, certainly causes an increase in expense (dues) to homeowners.
- C. Pay full amount from our savings.

The Board has consulted with our attorney and his recommendation is to pay from our savings.

**Collecting funds from residents:** Bill reviewed various scenarios on how to go forth collecting funds from our residents to pay for the insurance premium. **Update: Option B was approved.**

- A. Make no adjustments in 2023. Pay the \$184k out of reserves and lose interest earnings. Put the balance of the insurance budget \$43k back into reserves each month as funds are collected from dues in 2023. 2024 dues would have to be adjusted to recover the extra \$141k paid in 2023 and be adjusted for the 2024 premium. That would be about a \$180 a month in dues increase assuming insurance premium stays at current rate when renewed in 2024.
- B. Take the punch and deal with 2023 in 2023. Recover from our residents the shortage in the current budget of \$141k for funds paid in 2023 for insurance. This comes out to \$930.20 per home. Give residents the option to pay in full by 8/15. Also give residents the option to pay in 5 equal installments with 6% interest or a total of \$986. This would be 5 payments of \$197.20 on 8/15, 9/15, 10/15, 11/15 and 12/15 in addition to monthly dues. DC capital would have to get on board with installment payments and collect any outstanding payments at closing if someone was to sell during this period.
- C. In 2024 change our Budget Philosophy deleting the insurance from the typical budget process and creating in essence an insurance budget apportioning 1/152 of the total cost of insurance to every resident to be billed annually in June and payable by July 15<sup>th</sup>. Our bylaws allow this, and it was done when Section 8 was first started. There are other sections currently billing annually.



**Notes on Roof Claim Status, Claim No. 1E01E013998918:** Bill explained that some residents may be able to refer to their HO6 assessment Clause For covered Perils - Should be in all personal condo or HO6 policies. Provides gap insurance to cover the HOA master policy deductible.

Independent adjuster – EIS to Sedgwick

03.03.23 storm

03.16.23 adjuster contacted.

04.12.23 on site evaluated 6 buildings Distinctive did the balance of estimates.

05.13.23 Initial estimate arrives clubhouse not estimated.

06.20.23 Final estimate provided to RP8 no totals!

07.06.23 submitted to M.O. for review & payment.

Rothberg was no help. Middle oak has everything they need.

Assessment – yes, expectation is \$144k from M.O. against an estimate of 294K.

Requiring us to come up with 150K - assessment clause comes in to play. \$1K

**Discussion / suggestions / thoughts from the audience:** Residents seemed to understand the events that have taken place with regard to insurance increases, but they were nonetheless surprised. Some residents inquired about a payment plan, and Bill expressed that we would work with those that need a payment plan, but funds must be recovered in 2023. Also discussed was the availability of COI's for mortgage companies and title companies for upcoming settlements. Bill said he would call our agent at MMA to resolve this and request a copy of the policy. Regarding roofing claim, Bill also emphasized that even though we have a binder for insurance, reps from the carrier would be on site for an evaluation – temporary patches may become an issue, but we will deal with that as it comes.

## Marketing Summary

Carrier	Results
Auto-Owners	Not writing residential habitational.
Berkley	Not eligible due to frame & age of buildings
Central Insurance	Not eligible due to buildings over 25yrs old.
Cincinnati & CSU	Not eligible due to unsprinklered frame habitational.
CNA	Not eligible due to frame habitational & year built.
Frankenmuth	Not writing residential habitational.
Hanover	Not eligible due to over \$30M TIV and year built.
Hartford	Not eligible due to frame habitational & year built.
Liberty Mutual	Not eligible due to frame habitational & year built.
Nationwide	Very limited habitational and this doesn't qualify due to type of apartment, year built, and location.
Philadelphia	Not writing residential habitational.
Selective	Not writing residential habitational.
Seneca	Not a market.
State Auto	Not eligible due to number of bldgs/roofs.
Travelers	Not eligible due to frame, non-sprinklered habitational exposure.
USRisk	Over \$30M TIV
Utica	Not eligible due to built before 2000.
West Bend	Not eligible due to over \$30M TIV and year built.
Westfield	Not eligible due to over \$30M TIV and year built.
APIA Inc.	Declined due to proximity of locations.
Blue River Underwriters	Reviewing
Insurmark	Decline as it does not fit their program.
Intergrated Specialty Coverages LLC	Quoted
SES Insurance Brokerage Services Inc.	Declined due to open claim
Shepherd Compello Ltd	Declined due to Association Risks and concentration of locations.
General Star	Reviewing
WKF&C	Reviewing

No coverage is provided by this summary. Coverage conditions are highlights only and are subject to exclusions and additional terms as stated within the policy. Not all exclusions, terms and conditions are shown. If there are any differences between the policy and the proposal, the policy prevails. For details of coverage, refer to policy forms, terms and conditions.



## Premium Summary and Comparison

Policy	Quote Option #1	Quote Option #2
Commercial Package through Covington Specialty: – Property for Clubhouse, Pool House, and Pool. - General Liability for Residential units, Clubhouse, Pool House, & Pool	<b>\$ 13,241.53 total</b>  <b>**PREMIUM BREAKDOWN**</b> <ul style="list-style-type: none"> <li>• \$12,040.00 Package Premium</li> <li>• \$550.00 Broker Fees</li> <li>• \$651.53 Surplus Lines Taxes and Fees</li> </ul> <b>25% MEP</b>	<b>\$ 13,241.53 total</b>  <b>**PREMIUM BREAKDOWN**</b> <ul style="list-style-type: none"> <li>• \$12,040.00 Package Premium</li> <li>• \$550.00 Broker Fees</li> <li>• \$651.53 Surplus Lines Taxes and Fees</li> </ul> <b>25% MEP</b>
Commercial Property through Lloyd's – providing Property for residential units.	<b>\$146,030.00 total</b>  <b>**PREMIUM BREAKDOWN**</b> <ul style="list-style-type: none"> <li>• \$136,600 Property Premium</li> <li>• \$ 1,500 Broker Fees</li> <li>• \$ 660 Inspection Fee</li> <li>• \$ 7,270.00 Approx.Surplus Lines taxes and fees</li> </ul> \$5M total cap for wind & hail losses. Per building limit of \$500,000. Wind/hail deductible of \$10,000 or 2%, whichever is greater, with \$10,000 AOP deductible. <b>25% MEP</b>	<b>\$ 167,215.00 total (\$1,386.90 increase to include Business income coverage)</b>  <b>**PREMIUM BREAKDOWN**</b> <ul style="list-style-type: none"> <li>• \$155,060.00 Property Premium</li> <li>• \$ 1,500.00 Broker Fee</li> <li>• \$ 660 Inspection Fee</li> <li>• \$ 8,225.00 Approx.Surplus Lines taxes and fees</li> <li>• \$1,770.00 Business income of \$450K</li> </ul> Per building limit of \$500,000. Wind/hail deductible of \$15,000. AOP deductible is \$10,000. <b>25% MEP</b>
Association / Directors & Officers Liability	<b>\$ 3,148.00</b>	<b>\$ 3,148.00</b>
Excess Liability	<b>\$1,051.76 total</b>  <b>**PREMIUM BREAKDOWN**</b> <ul style="list-style-type: none"> <li>• \$900 Excess Premium</li> <li>• \$ 100 Broker Fees</li> <li>• \$ 51.76 Approx.Surplus Lines taxes and fees</li> </ul> <b>25% MEP</b>	<b>\$1,051.76 total</b>  <b>**PREMIUM BREAKDOWN**</b> <ul style="list-style-type: none"> <li>• \$900 Excess Premium</li> <li>• \$ 100 Broker Fees</li> <li>• \$ 51.76 Approx.Surplus Lines taxes and fees</li> </ul> <b>25% MEP</b>
<b>Program Total (including taxes and fees)</b>	<b>\$ 163,471.30</b>	<b>\$ 184,656.30</b>



River Plantation VIII Insurance Proposal Effective: 7-12-2023		
	2022-23 EXPIRING	2023-24 RENEWAL
INSURANCE CARRIERS:	Package - Federal Insurance/CHUBB General Liability - Included in Package D&O - CNA Crime - Included in Package Worker's Com - Pennsylvania Manuf.	Property- Accredited/Lloyd's/Homeland General Liability - Mount Vernon D&O - Mount Vernon Crime -Accredited Worker's Com - Pennsylvania Manuf.
BUILDING ("Retable Limit"):	\$42,548,630	\$42,676,680
VALUATION:	Guaranteed Replacement	Replacement Cost
FORM TYPE:	Special Form	Special Form
DEDUCTIBLE(S):	\$10,000 per occurrence	\$25,000 per occurrence
WIND/HAIL DEDUCTIBLE:	\$10,000 per building	5% per building/\$25,000 min per occurrence
WATER DAMAGE DEDUCTIBLE:	\$10,000 per unit	\$25,000 per occurrence
FLOOD:	Excluded	Excluded
EARTHQUAKE:	Excluded	Excluded
EQUIPMENT BREAKDOWN:	Included	Included
ORDINANCE OR LAW	Undamaged Bldg-Included;	Undamaged Bldg-Included;
WATER, SEWER BACKUP:	Demo Costs &	Demo Costs &
GENERAL LIABILITY:	Incr. Cost of Constr.-\$250K combined	Cost of Constr.-10% of bldg value/mac of \$1M
HIRED & NON-OWNED AUTO:	\$25,000	No Coverage
CRIME (FIDELITY):	\$2M occ / \$4M aggr	\$1M occ / \$2M aggr
DIRECTORS & OFFICERS:	\$2,000,000	\$1,000,000
WORKER'S COMP:	\$250,000	\$250,000
UMBRELLA:	\$2,000,000	\$1,000,000
	\$500k/\$500k/\$500k	\$500k/\$500k/\$500k
	None	None
PROPERTY PREMIUM:	\$78,463.00	\$265,275.76
GL PREMIUM:	Included in Package	\$3,980.00
D&O PREMIUM:	\$2,765.00	\$2,166.00
CRIME PREMIUM:	Included in Package	\$475.00
WORKER'S COMP PREMIUM:	\$394.00	\$382.00
TOTAL PREMIUM:	\$81,622.00	\$272,278.76
	*Pricing based on 76 Residential Buildings / 152Units/16 SFHs/Clubhouse/1 Pool	

This presentation is designed to give you an overview of the insurance coverage we are offering for your company. It is meant only as a general understanding of your insurance and should not be construed as a legal interpretation of the insurance policies that are written for you. Please refer to your specific insurance contracts for details on coverage's, conditions and exclusions.