

APPROVED

ELIZABETH LOFTS CONDOMINIUMS
SPECIAL INSURANCE MEETING OF THE BOARD OF DIRECTORS
JANUARY 21, 2021
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MINUTES OF THE BOARD OF DIRECTORS MEETING TO REVIEW THE ASSOCIATION'S INSURANCE POLICY AND RENEWAL, HELD ON THURSDAY, JANUARY 21, 2021 AT 2:00 PM VIA ZOOM ELECTRONIC VIDEO CONFERENCING FORMAT.

PRESENT: Jim Kennedy, Chairman
Paul Mollomo, Secretary
Brenda Peterson, Director
Robert Steele, Director
Steve Rose, Director
Paula McGee, Director

ABSENT: Tina Tsai, Commercial Director

BY INVITATION: Vern Newcomb, Senior Account Executive
American Benefits
Tom La Voie, CMCA, CCM, PCAM, Community Manager
COMMUNITY MANAGEMENT, INC., AAMC

OWNERS WERE INVITED TO ATTEND BY ZOOM

I. CALL TO ORDER

The meeting was called to order by Chairman Jim Kennedy at 2:00 PM.

II. ANNUAL INSURANCE POLICY REVIEW AND RENEWAL

The only item on the agenda for this meeting was the annual insurance renewal, effective February 1, 2021. Manager La Voie introduced insurance agent Vern Newcomb, who has been the Association's agent since the building opened.

Newcomb stated that the insurance policy for the Elizabeth is broken into two markets. The first part is the package that includes water damage, fire, liability, and trip, slip, and fall coverage. The second part is for earthquake coverage. The package policy for the first part is not changing much from the current year. Newcomb put the policy out to bid, and there were only two companies that offered proposals: one from the current carrier — AmTrust — and one from QBE. There are a few differences between the two policies, including the sewer backup and overflow coverage. AmTrust has capped its coverage for sewer and overflow at \$500,000. Newcomb said that in a high rise building that is most likely not enough coverage. QBE does not have a maximum coverage amount on its policy for sewer backup and overflow. The deductibles remain the same under both proposals at \$25,000. The rest of the proposals remain the same, with QBE's quote almost the same as the amount of the Elizabeth's current policy, whereas AmTrust has increased the amount by \$8,700.

Earthquake coverage is a different story. Newcomb explained that the rates have increased significantly as a result of the losses insurance companies sustained over the past year, particularly losses associated with wildfires. The policy pricing for the Elizabeth increased from \$168,167 to \$189,814.43. Under our

current policy, the building is fully covered at \$91 million; under the new policy, the building would be fully covered at \$92,125,000. The 5% deductible applies to the building value. Newcomb provided another option for the board to consider: capping the earthquake coverage at \$50,000,000, which would result in a premium savings of \$32,993.38.

Jim Kennedy asked if the loss history plays any part in the pricing of the policies. Newcomb said yes. Newcomb also noted that the Elizabeth has the best claim history of any high rise building in his portfolio, and he insures almost all the residential high rises in Portland. This affects the pricing of the package pricing, which is why the package pricing for the Elizabeth stayed fairly flat.

Steve Rose asked Newcomb what other high rises are doing regarding earthquake coverage. Newcomb responded that it is all over the board, but all of his clients have opted to carry some form of coverage. He estimated that 35% of the high rises choose full coverage. Kennedy referenced the earthquake risk document that was prepared for the building recently and noted that it is not a matter of if, but when, the "big one" would hit.

Bob Steele asked about QBE being an Australian company. Newcomb stated that the company that they are writing the policy from is domiciled in the United States. Steele asked if the increase was expected, and Newcomb responded that the trend has been increased premiums across the board.

Paul Mollomo asked if the 9% increase in earthquake coverage is in line with the rest of the Associations. Newcomb responded that he has seen 20 to 30% increases, but that the Elizabeth saw the big increase last year. Mollomo stated that his preference would be to remain at full coverage. Rose added that he agreed in principle, and noted that last year the Board decided to pay for the increase by using reserve funds rather than pass the increase on to the owners.

The Board members thanked Newcomb for meeting with them and advised that they would get back to him before the deadline. Newcomb then left the meeting.

La Voie recapped the current coverage and the strategy used to budget for that increase. In the current budget, insurance is under-budgeted by about \$3,000 per month, with the understanding that the Board would cover the increase by utilizing up to \$24,000 from the operating contingency fund, and then another \$24,000 from the Working Capital fund, if needed. As of June 30, 2020, the end of the last fiscal year, there was \$77,683 in the Operating Contingency fund and \$126,00 in the Working Capital fund. Both funds have increased in value since June 30: the Operating Contingency fund is now \$107,314 and the Working Capital fund has increased to \$137,973. To date, we have not had to dip into any reserve money to compensate for the increased insurance premium. Kennedy stated that the insurance increase would amount to an average of \$10 a month per unit, unless we are able to cover the increase from contingency funds.

Kennedy stated that it seemed that the Board was in favor of switching to QBE for the package as there would be better coverage at a lesser price. The Board members agreed with Kennedy. Kennedy also noted

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that the immediate increase could be offset with minimal effect on the owners, but that it will need to be addressed when the next budget is prepared. Rose stated that one budget option would be to pass on the expense to the owners, rather than decreasing the cash on hand. La Voie stated that the increased premium by itself would increase the total budget by 2%.

Rose recapped the situation before the board at this meeting: The Board needs to determine if it wants to carry earthquake insurance, and, if yes, should the coverage include the full value of the building at a premium cost of \$189,814.43 or should the value of the loss be capped at \$50 million at a premium cost of \$156,821.05.

Kennedy stated that every year the Board has opted to carry full coverage, but it might make sense to cap the coverage at some time. He stated that there is an ebb and flow with pricing, and that we are in an increase trend at this time. Mollomo questioned what would happen if we chose to cap the coverage and there was a total loss? From his perspective, for an additional 2% increase to the budget, it makes sense to carry the full coverage. He also stated that he has confidence that Newcomb has presented the most cost-effective proposals.

Kennedy responded that the funding of the increase will require close scrutiny in the next budgeting cycle.

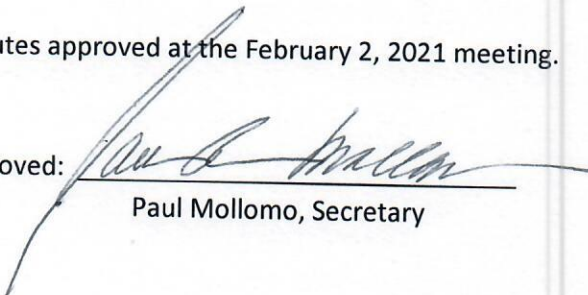
AGREED: Steve Rose moved that the Board choose the QBE package with full earthquake coverage. Paula McGee seconded the motion, which passed unanimously.

III. ADJOURNMENT

There being no further business, the meeting was adjourned at 3:09 PM. The next Board meeting will be via Zoom on Tuesday, February 2, 2021, at 5:00 PM. Log-in information will be provided prior to that date.

Minutes approved at the February 2, 2021 meeting.

Approved:



Paul Mollomo, Secretary