

KIAWAH ISLAND
COMMUNITY
ASSOCIATION

Finance Committee Minutes

April 21, 2021 at 2:30 pm

Virtual Meeting Conducted live at Sandcastle and via Zoom

Members Present

Alex Fernandez, Treasurer
Lisa Mascolo
Paul Hough
Jim DiLella
Jeff Porter
Jerry Honea
Bran Petranovic
Paul Hennesey

Staff Present

Jimmy Bailey
Holly Newman
Shannon White
Johnny Wallace
Pam Brady

Board Members Present

Townsend Clarkson
Brad McIlvain

The meeting was called to order by Alex Fernandez.

Holly Newman announced that there were 7 Community Members in attendance.

Alex Fernandez welcomed the newest members to the committee; Paul Hennesey, Lisa Mascolo, Paul Hough and Bran Petranovic. He ran through how meetings would progress stating that he plans to be rather informal, giving all committee members the opportunity to speak and, if needed, Robert's Rules of Order would apply; audience members would also be given the opportunity to speak on topics. Alex explained his goals for the committee this year. He plans to use small subgroups to review and make recommendations on several existing policies or processes including the Financial Control Manual, Funded Depreciation, Investment Policy, the Reserve Study, and the investment strategy. Consideration should be given to a staggered schedule for review of financial policies.

Alex also plans to work on how information is presented stating that while the financial position is good, the information can be better communicated to give members a better understanding of the financials.

Alex noted the next meetings are May 26 and June 23 at 10 AM, no meetings in July or August.

Alex introduced Robin Barber, Executive VP & Account Executive, Aon. Aon is KICA's insurance broker. Robin presented the insurance renewal proposal to the committee. The proposal includes:

- General Liability
- Auto
- Workers Compensation
- Property
- Umbrella
- Named Storm Deductible buy down



- Hail and Wind
- D & O
- Employment Practices Liability
- Crime
- Fiduciary

Robin commented on the existing market difficulties. 26 insurance carriers were approached for pricing. The incumbent insurers continue to have the best pricing. Several insurers declined to quote due to coastal locations. Some would agree to insure partial, but layered and shared programs create additional costs and are not recommended. Velocity, the chosen carrier for property insurance is a bundled approach with multiple insurers.

The current policy premium total is \$466,548, renewal with all coverages the same as current is \$529,646. A 13.5% premium increase.

Robin reviewed the possible areas of savings, with the committee weighing in:

- Considered a GL deductible change, the trade off in risk did not change much premium. Consensus was to not make a change here.
- Auto coverage, option to increase comp and collision from \$1k to \$5k saves \$3500 – self-insuring \$17k in savings. Consensus was to remove collision coverage.
- Workers Compensation deductible from \$500 deductible per claim to \$10k deductible, saves \$14k in premium. Over the last 4 years, KICA’s claims have been low. Consensus was not to increase this deductible.
- Property Coverage, deductible buy down policy. Brings wind deductible to \$50,000 increases \$35k in premium, but it changes the deductible from 2% deductible to straight \$50,000 – difference in deductible is approx. \$100k. Consensus was to keep the buy down policy.

Robin then reviewed the changes to coverage limits identifying the major changes causing the premium increases:

- A change to the GL policy includes a change to the classifications of *Lakes & Reservoirs - Existence Hazard Only - Not for Profit Only* to reflect the island environment and the risks associated with the locale, in particular Kiawah’s alligator population. This resulted in an 84% increase in premium (approx. \$17k).
- The Property Policy \$18m total value, named storm deductible and wind driven precipitation deductible changes from a 1% \$129,491 to a 2% deductible caused an increase in the buy down policy of \$34,768.
- A change to Roof Valuations in the Property Policy did not increase premiums but does reflect a change in replacement cost vs. cash value in claim payouts. This is based on type and age of roofs and should be considered in the MRR Reserve Study replacement schedule.

Conversation about the philosophy of insurance programs was had with comments on the purpose of insurance and mitigating premium increases vs. absorption of risk. The committee also discussed the policy on insurance carrier ratings. Robin is to send the relevant information for review by the committee and this information is to be reviewed within the financial controls policy.

Robin explained the Velocity insurance program as Velocity being a conduit for a group of insurers allowing the spread of risk over multiple insurers. In the event of a claim Velocity manages the claim.



KICA cyber vulnerability was discussed. Jimmy Bailey reported that KICA performed a risk assessment through a 3rd party a few years ago and agreed it was probably time to consider this task again.

The process to renew/bind insurance coverage was reviewed. The ability to bind coverage that is comparable year over year and is within budget is within the purview of the COO. With 1 major change to the coverage limits with the removal of the vehicle comprehension coverage, therefore this change will be communicated to the Board before approving the binding of coverage.

The committee discussed commissions on the policies and suggests seeking a fix fee basis.

With no further business, the meeting was adjourned at 4:30 p.m.

