

KIAWAH ISLAND  
**COMMUNITY**  
ASSOCIATION

## FINANCE COMMITTEE

# Meeting Minutes

April 27, 2022 at 10:00 a.m.

## Bobcat Hall & Virtual

### Members Present:

In Person: Alex Fernandez, Paul Hennessy, Debbie Diddle

Virtual: James DiLella, Bran Petranovic, Michael Petrecca

Guests: Jenks Bailey, Robb Imbus, Erin Mitchell - USI

Not Present: Jeff Porter, Paul Hough

### Staff Present:

Shannon White - COO, Dale Schoon - Director of Finance, Tony Elder - Director of Operations, Ellen Festa – Executive Assistant

### Meeting Minutes

Alex F. called the meeting to order. Motion made to approve March 30, 2022 minutes. So moved by Paul Hennessy, seconded by Jim DiLella. Minutes passed unanimously.

Alex welcomed the two new Finance Committee members: Debbie Diddle and Michael Petrecca.

Alex commented on how much cash we have on hand and our plans to address this. Dale S. indicated we will be transferring \$7M from our liquid cash into a ladder of 3-6-9-12 month T-bills. \$2.75M will be coming out of our cash account and \$4.25M will be coming out of money market. If our cash flow improves, we can invest more dollars into these investments. Alex and Dale will be working on improving our cash flow projections.

### Presentation of 2022-2023 Insurance Program - USI

Jenks Bailey, Robb Imbus and Erin Mitchell presented the Insurance Program.



- Property insurance market has been impacted by over \$20 billion of weather-related claims in 2021. Premiums have increased significantly.
- For property insurance, the lead carrier is Velocity. They will cover first \$5M as primary. USI utilizing other carriers to cover remaining \$15M of coverage needed.
- Pricing on Wind deductible – currently 2% - goes to 3% deductible of stated values per listed item, which totals \$613K.
  - Question: Do we spend \$61K annually to buy-down Wind deductible to \$613K from \$50K? Committee unanimously recommended to not buy-down on Wind Deductible. Deductible risk is \$613K in the unlikely event that all property was lost at the same time.
- Casualty – Travelers is very good. The effectiveness of the KICA Security Department contributes greatly to this in terms of underwriting. Travelers also provides our Auto coverage.
- General Liability - \$1M per occurrence – Umbrella policy covers up to \$25M
- D&O – Community Association Liability program coverage provided by Ian Graham program – this is good coverage.
- Umbrella Policy under Chubb – one of the few carriers that still do this.
  - Abuse/molestation and Security Professional liability coverage is excluded.
  - If we include, this will impact our D&O coverage.
  - Committee unanimously felt it is not worth it to sacrifice the D&O coverage in lieu of Umbrella coverage for Abuse/molestation and Security Professional, both of which are covered under the General Liability coverage.
- Workers Comp – Take more risk in Workers Comp premium by increasing deductible to \$5K – premium savings of \$13K. Recent historical experience demonstrates that KICA would have benefited from the higher deductible.
  - Committee unanimously agreed to go to \$5K deductible
- KICA negotiated a fixed fee for USI services – compensation to be no greater than \$60K instead of \$75K based on % commission on premiums.
- Network Security – out of cycle policy – will be looking at this next. Look to align renewal date with the rest of the coverage.
- Total increase in premium represents a budget increase of approx. \$170K. Budgeted 0% increase
- Committee unanimously approves moving forward with recommendation to the Board as presented by USI with following edits: 1) not electing the wind buy-down, 2) not electing to include the Abuse/molestation and Security professional in Umbrella coverage and 3) worker’s compensation deductible increase.
- Will need to conduct Board e-Vote before May 1, 2022 then ratify e-Vote at May 2, 2022 Board meeting.



## Finance Committee Comments

- Paul Hennessy – given our history – do we have enough or too much coverage?
  - We are in alignment with similar HOAs.
- Brad – How much does shuttle and associated risk increase our premium?
  - Jenks stated it is insignificant.
- Paul Hennessy would like to see ratings and reviews of our carriers.
  - These will be in our policy documents.

## MR&R Study

Finance Committee has received Draft of the study. Several items to be addressed:

- Per the FCM – we should re-evaluate our specialist every 3 years and look at what other alternatives we have.
  - Sub-committee will come back in next 60 days with a recommendation on whether to change our specialist, look at others or what next steps should be.
- Paul Hennessy & Alex met regarding Reserve specialist
  - Reserve specialist evaluates and makes recommendations on how much to fund over time (5 yrs.).
  - Board & KICA ultimately need to decide on how we fund by reviewing our projections (revenues / CTR / Assessments) over the next 5 years. Paul Hennessy and Paul Hough will look at this.
- Issue of Reserve Funded Level – what is appropriate level?
  - Paul Hennessy stated Reserve specialist has provided comfort that 50% funding is OK – rationale is large, diverse and wealthy member base can easily raise revenue in future.
  - Possibly look at usage fee for infrastructure use.
  - Passing off cost onto future homeowners. Paul Hennessy feels this is a fundamental fairness issue. Association should be funded at 100%. Because other HOAs fund at 50%, doesn't mean we should.
  - Reserve Policy needs to be changed to reflect correct funding level verbiage. (not up to 50%)
  - Alex stated a goal is to discuss and obtain Board approval for any changes in funding levels. Does not want to jump immediately to 100%.
  - Bran doesn't feel we should be funded at 100%. Could possibly put us in an over-funded situation. Need to reset lifespan of our assets as they are replaced.
- More work to be done in this area.

## Financial Controls Manual – Chapter 6

- 20% of the total assessments was not paid within 30 days or even within 1Q. This is a substantial number.



- Updated the verbiage in Chapter 6 to be more specific and to identify what will happen after 30 days (min of 1.5% late fee charged monthly, when a lien will be implemented, when privileges will be revoked)
- Committee unanimously agreed to changes to FCM and recommend for Board to approve.

## Member Comments

- What is excess over Statement of Values – something to ask the Broker.
- Does D&O coverage extend to volunteer members?
  - Alex confirmed it does.
- Comment that 50% reserve funding is too low given that most assets would be severely impacted by a catastrophic event. However, doesn't believe 100% is right either. Majority of HOAs would prefer to kick the can down the road.
  - Give thought to how you could you get to a higher reserve level.
  - Values always overstated and replacement costs always understated. Being underfunded, you're always chasing the math.
  - Encourages Board to revisit 50% funded level.
- Discussion about looking at economies of scale for insurance coverage for regimes, statement of values changing in some of the regimes.
  - Look at ways to improve communications (education and awareness) to all homeowners and coordinating with different regimes on reviewing levels of coverage.
- Member asked if we're getting closer to depreciation fund analysis being completed.
  - Alex stated it's on the to do list.
- Member commented that it's fundamentally unfair to ask current homeowners to fully fund protection for future homeowners. Keep that in mind as funding levels are reviewed.

Alex requested motion to adjourn at 12:00 - so moved by Paul Hennessy, seconded by Bran.

Meeting then moved into Executive Session at 12:02 pm to provide an update on an HR issues.

## Upcoming Meeting Dates:

Wed, June 1, 2022 @ 10 am – Investment Presentation



*Respectfully submitted,*

*Ellen Festa, Executive Assistant*

DRAFT

