

SUMMARY OF POWERPOINT PRESENTATION: PLANNING FOR THE FUTURE

A few facts:

The Village Governing Documents were created in 2007 by the Original Developer.

Article 8.1 Insurance on Common Property in the Declarations states, "The Association is obligated to maintain and blanket Insurance for all Units. The Association's Insurance shall not include the Unit Owner's personal property (which shall be the sole responsibility of the Unit Owner). Based on this statement, for 2021, The Village Reserve Account should have at least **\$392K** to cover all Quads for a Single Named Storm. The Village reserve accounts are not currently at balances that support what is needed based on the communities documents.

Based on Article 8.1, the Village maintains an insurance policy where the yearly premium was in 2021, approximately **\$90k**. The Insurance Industry requires full payment of the cost at the purchase, resulting in annual premiums being financed, a usual industry practice.

The current deductible to meet required Insurance: **2%** of the insured value per Quad for Named Storms and **\$5k per Quad** for all other perils such as fire.

The Village finances during the year 2021 were very complicated:

1. The original insurance company filed for bankruptcy shortly after our renewal. The HOA immediately had to purchase and finance another insurance policy. The purchase of a 2nd policy and payment of the 1st loan doubled the annual insurance budget to approximately **\$180k**. The HOA managed the budget very frugally, not assessing homeowners for additional funds. The original hope was to make it through the year, build up the reserve funds and continue.
2. Hurricane Ida hit Louisiana on August 29, 2021. Hurricane Ida did not hit the Village as hard as many in the southern belt. Sadly, we did sustain enough damage to cause 23 Quads (31 units) to be damaged.
3. When a named storm hits our homes, the Village policy changes, what is covered, what is not, how and if deductibles are applied. We examined data and facts and spoke with our insurance agents and attorney, ensuring that we understood what deductibles were needed to be reached. Simultaneously we worked with our property manager to find

vendors to support the Community; We developed proposed budgets, ran future forecasts, and estimated and re-estimated our existing operating costs.

4. We learned that equitably, what was needed to support all of the 23 Quads would have been **\$322K** (**\$14k** per Quad deductible multiplied by 23 Quads). The estimate for repairs provided by the insurance adjuster is approximately **\$90k**, not allowing an insurance claim.
5. As of September 2021, The Village Capital and Reserve Balances totaled **\$66k**. These funds are earmarked for the AmCap repayment and additional exterior repairs that benefit all community members.
6. The Board analyzing this situation and making the best possible decision that would benefit the entire Community was to have homeowners who had damage be responsible for the repairs in their unit. *"Article 8.3 of the Declaration in the Governing Documents provides that in the event of damage or destruction shall be allocated among the persons who would otherwise be responsible for such loss in the absence of insurance."*

The Declaration's covenants force the Village to purchase a blanket policy. The HOA Board's opinion is that the current insurance policy did not benefit its homeowners.

Therefore, the Board Members thoroughly reviewed the Village homeowner demographics, budget, and insurance needs with the guidance of the HOA Attorney and several Insurance Brokers.

The Village HOA Board is proposing to the Community for a vote to have all homeowners self-insure their homes by maintaining a **Single-Family Home Insurance Policy (HO3/HOH)**. The Board has provided spreadsheets that we have **forecasted** that show the effects of dues on our monthly and annual budget. Lastly, on the list below are some realized benefits homeowners may achieve:

1. Choose your Insurance for the total home
 - a. Control over insurance needs and costs
2. Home repairs can be completed in a timeframe determined by the homeowner
 - a. Select vendors you trust
3. Control over monthly HOA dues
4. The homeowner can choose insurance deductible
 - a. Ability to control the family budget

If the Homeowners decide to continue with the "blanket insurance" and carry a Condo Insurance Policy (HO6):

1. The insurance Industry dictates HOA premiums and deductibles
 - a. Deductibles are going up to **5%** in 2022
 - b. We will have to reach **35k** per Quad in a named storm
2. HOA procedures are required, which takes time and a longer wait for repairs
 - a. We will wait in line for larger insurance adjusters to get to us in a disaster
 - b. IDA took four (4) months
3. There is no control of insurance expenses; therefore, there is no control over monthly fees or special assessments
4. The result is any storm or community disaster: **unknown and unplanned** expenses could affect the homeowner's budget

Homeowners maintain a single-family home insurance policy (HO3/HOH).

- Control over your budget and insurance needs
- Manage home repairs from a disaster quickly with minimum HOA procedures
- LESS HOA involvement

Lastly, If the vote does not pass in time for the insurance renewal, we vote to stay as we are in our current policy. The HOA may struggle to finance the new insurance policy premium, estimated at approximately **\$120k**. A special assessment would be required from all unit owners at an estimated **\$1,000.00 per unit**, due at the beginning of February 2022.

TIME IS OF THE ESSENCE. Let's Vote

- Ballots by January 4
- Ballots mailed by January 14 and returned immediately by owners via USPS
- Only Owners in Good standing vote
- Vote **must** be counted before January 15 for changes to be sent to the attorney to update Governing Documents
- Governing Documents must be Changed, Approved, and Accepted by St. Tammany Parish in February