

**BLUFF CONDOMINIUM ASSOCIATION
SPECIAL BOARD OF DIRECTORS MEETING
NOVEMBER 15, 2023**

MINUTES

PRESENT: Pam Larsen – President
Eric Smallwood – Secretary
Brad Bergquist – Treasurer
Charley Killinger – Director - Phone
Kim Gunning – Director

OWNERS: See Attached Listing

GUESTS: Redgy Christensen
Farmers Insurance
Tiffany Thompson
Agent – SentryWest Insurance

OTHERS: Sharon & Chuck Williamson - Managers

CALL TO ORDER

Pam called the meeting to order at 4:00 p.m.

ESTABLISH A QUORUM

A quorum was established with five (5) directors present.

SPECIAL MEETING ITEM – INSURANCE COVERAGE

Excerpt from November 1, 2023, BOD Meeting

Farmers Insurance Renewal – BBQ Removal Requirement – Chuck reported that Farmer's Insurance is requiring that all BBQ's within 10 feet of a structure be removed. The fact that the Bluff has a rule that only gas BBQ's are allowed and not charcoal or wood burning will not be taken into consideration. The insurance agent suggestion for Bluff to create a centralized BBQ location for everyone to use is not a feasible recommendation. Board members expressed concern that the owners won't comply voluntarily, and pushback is inevitable. Chuck explained that management is reviewing other insurance carrier alternatives, however, five insurance carriers have refused to provide a quote. Chuck expressed concern that Farmers is refusing to quote unless the Bluff accepts the BBQ ban. Management proposed that the rules be modified to eliminate BBQs on decks, effective June 1, 2024, in order to comply and get Farmer's to quote the insurance. This would allow Management additional time to pursue other insurance carrier options. The Association must have insurance coverage, or all sales will cease in the Association and property values will be negatively affected. Farmer's is the only option available to Bluff at this time. **After lengthy discussion, Board members requested that this matter be tabled for two weeks allowing additional time for another insurance carrier to come forward. If no other options are available, the Board will meet on November 15th to discuss how the Association will move forward in compliance with the Farmers insurance demand.**

Chuck reported that this was a special meeting in follow up to the November 1, 2023 discussion with regard to insurance coverage for the Bluff Association. He explained that Redgy Christensen with Farmers Insurance and Tiffany Thompson, an independent agent with SentryWest, were invited to the meeting to review their insurance proposals and discuss the terms and conditions for binding the coverage.

Redgy Christensen – Farmers Insurance

Redgy reviewed the Bluff Association's current coverages with Farmers Insurance as follows:

Building Coverage: \$42,000,000 – Blanket Value Coverage – Guaranteed Replacement Cost
Estimated replacement cost \$650 per square foot

Deductible: \$25,000 per Incident

General Liability: \$4,000,000 total - \$2,000,000 per occurrence

Umbrella Liability: \$5,000,000 total - \$5,000,000 per occurrence

Crime: \$250,000
Director/Officers: \$2,000,000

Redgy explained the insurance industry has suffered large losses due to fires the past few years. Many insurance carriers are pulling out of higher risk areas and no longer offering insurance. On renewal of coverage the premiums have increased substantially as insurance carriers try to recover losses. The Bluff Association premiums will increase by approximately \$19,000 in 2023/24 totaling \$95,532. The 5 million umbrella liability policy is \$2,810, for a total annual premium of \$98,342. Redgy explained the benefits of the Farmers policy with guaranteed replacement cost coverage and a single insurance deductible per occurrence. Redgy stated that lower premiums might be available when the pending slip and fall lawsuit against Bluff is resolved.

When asked about the barbecue restrictions which Farmers Insurance recently implemented, Redgy stated that no barbecues are permitted within 10 feet of a structure. He recommended that Bluff consider a centralized location for owners and guests to use in lieu of personal barbecues on decks. Board members asked if a ban on barbecues for all rental units in addition to an only gas grills restriction for owners might be sufficient to meet Farmers requirements. Redgy stated there is no exclusion, waiver or higher deductible option for allowing BBQ's.

Redgy was asked if the trees within 15 feet of a building were removed, reducing the risk of loss in the event of a wildfire would that help reduce the overall cost of insurance. Redgy explained that insurance companies review the fire zone in which the Association is located. While trees near structures pose a greater risk of loss, it is not reviewed on an individual property basis, and would have no effect on the insurance premiums.

Brad expressed that the insurance company seems to decide whether or not to insure a property based on its age, rather than the condition in which it is maintained. Redgy stated that the insurance carrier is concerned about plumbing and electrical age deterioration as it may relate to flooding and fires. He said it is important to let them know when improvements have been made so that they can take it into consideration.

When asked if the property may be over insured at \$650 a square foot, Redgy expressed he did not think it was over insured and aligns with their internal replacement cost valuations estimator for replacement cost coverage offered.

Tiffani Thompson - SentryWest

Tiffany provided a proposal from Arden Programs/Accelerant Specialty. Accelerant Insurance is an unadmitted insurance provider. The unadmitted designation indicates that they are not licensed/admitted in Idaho and ineligible for State of Idaho assistance for the insured in the event the insurance carrier is unable to pay a loss. The terms of the insurance package offered is as follows:

Building Coverage: \$37,669,400 – Blanket Value Coverage – Guaranteed Replacement Cost?
Deductible: \$25,000 deductible per unit – Cost of Policy = \$69,280
\$50,000 deductible per incident – Cost of Policy = \$75,042
General Liability \$4,000,000 - \$2,000,000 per occurrence – Selective Insurance Company
Umbrella: None
Crime Coverage: \$250,000 – Travelers Insurance Company
Directors/Officers: \$1,000,000 – Ian H. Graham Insurance Company

The total cost for the insurance described above is \$78,724 with \$25,000 per unit deductible, or, \$84,486 with a \$50,000 per occurrence deductible. The overall cost of insurance would be \$14 - \$20,000 less than the Farmers policy with \$4.5 million less overall building coverage.

Tiffany explained that while Accelerant is new to Idaho they have been in business for some time and have an A- Best rating. The reason they are not an Idaho admitted insurance company is driven by the amount of business they produce. She explained that she has reached out to six other carriers who declined to quote coverage due to risk of wildfires, age of buildings and/or BBQ's. Accelerant coverage is contingent on no charcoal BBQ's and inspection of the staircase with the pending claim.

Brad stated that the CCR's for the Bluff required that the insurance company be "allowed to duly operate in Idaho". How this might relate to the term "unadmitted" is uncertain and may require legal opinion.

When asked about the \$25,000 per unit deductible, Tiffany clarified that in the event of a loss each unit damaged would have a \$25,000 deductible applied. In the event of the loss of the entire association the deductible would total \$2.6 million. The \$50,000 deductible option would be applied per event. If a loss extends beyond the limits of the policy, the payout would be limited to the policy limit total.

Asked if Accelerant was in the top 100 insurance companies, Tiffany stated they were not listed; however, she explained that the company operates under a 50% loss ratio and has 400 billion in capital. When asked Tiffany explained that if no BBQ's were permitted there might be one or two more companies willing to submit a proposal.

Board Discussion:

Lengthy discussion ensued and concerns were expressed as follows:

- 1) Will an unadmitted company result in the following issues:
 - a. Non-compliance with Bluff CCR's.
 - b. No guaranteed renewal of policy next year.
 - c. Result in bank financing issues for sale of condominiums.
 - d. There is no Idaho State safety net if the company goes bankrupt.
- 2) If Bluff is the only Association in Sun Valley that has a ban on BBQ's how will this effect property values in a competitive real estate marketplace.

The majority of those present expressed that a total ban on barbecues is very difficult to accept and enforce. The Board is willing to impose restrictions on all rental units and gas grill only requirements for owners, however, the majority of the Board expressed being the only Association in Sun Valley with a total BBQ ban may impact values to an unacceptable level. ***MOTION: Eric moved to approve pursuing the Accelerant Insurance proposal contingent on the following: 1) that by going with Accelerant there is no conflict with the Bluff governing documents; and 2) that by accepting a proposal from an unadmitted carrier that bank financing is not jeopardized, Kim Gunning seconded, motion was approved with four (4) directors in favor and Pam Larsen opposed.***

ADJOURNMENT

With no further business, ***MOTION: Brad moved to adjourn, Eric seconded, and the motion passed unanimously.*** The meeting was adjourned at 6:00 p.m.

Respectfully Submitted,

Chuck Williamson
Recording Secretary