

BOARD MATTERS

A Look Inside of Beautiful Savannah Quarters

Savannah Quarters is a 2,600-acre community located 12 minutes from historic downtown Savannah. This parcel is a large master planned community containing residential, commercial and retail real estate. Savannah Quarters is composed of Westbrook, Easthaven and Savannah Quarters Commercial. All of which are managed by Community Association Manager, Paige Bragg, CMCA®.

Savannah Quarters is being developed by Medallist Developments. The developer believes in following environmental guidelines specially designed for developing new communities. These guidelines encourage minimal land disturbance and environmental protection while promoting site enhancement.

These beautiful community associations within Savannah Quarters are charming in their own way. Each aspect of luxury living has been considered and incorporated. Below is a closer look at each community:



WESTBROOK

Westbrook is a 950-acre private, gated Greg Norman master planned community with homesites, single-family homes, villas and club homes with unparalleled views wrapped around fairways and a serene low country landscape.



EASTHAVEN

Three separate neighborhoods make up Easthaven at Savannah Quarters: The Gates, Hamilton Grove and Berkeley Walk.



SAVANNAH QUARTERS COMMERCIAL

Savannah Quarters Commercial is a planned, pedestrian friendly, work and play community with townhomes, apartments, future shopping, future dining, a bank, and office space.

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2012 HOLIDAY SCHEDULE

Closed the following days:

May 28th

July 4th

September 3rd

November 22nd, 23rd

December 24th, 25th

A Reminder For Condominium Owners: Water Heater & Water Connection Advisory

Carl E. Lewis, CMCA® - Community Association Manager

Each year we incur water related claims against the master insurance policy. Your association and each individual homeowner must pay the deductible for each occurrence. Continued water damage puts added pressure on insurance rates and monthly regime fees.

Although repairs may be covered by the master insurance policy, the expense of lost rental income to the affected owner as well as adjoining units is not covered. Under the terms of the Master Deed, owners will be held responsible for such damages and liability for failure to properly perform necessary repairs within their villa/unit.

In an effort to minimize risk to the association and minimize monthly fees and insurance related expenses, all owners should inspect their water systems (including water heaters, supply

lines to sinks, toilets, refrigerators and washing machine

hoses). HVAC systems should be monitored by a licensed and reputable company. A quarterly maintenance and inspection program with a licensed HVAC company is highly recommended. Per the governing documents, it is the responsibility of each individual unit owner to maintain and monitor each of the items listed above. Failure to maintain any of the listed items will result in damage to not only your unit, but surrounding units as well. Appropriate actions should be taken to identify possible problem areas with an emphasis on original/dated water heaters.

Thank you very much for your cooperation.



RESERVE STUDIES MINIMIZE LIABILITY

These days it seems that boards are being barraged by many issues that weren't even considered only a few years ago. Lawsuits and claims of financial mismanagement are taking place on a daily basis. They are at best a nuisance, and at worst very costly and stressful.

Over the years, homeowners volunteered to serve on the board because they had expertise and skills from professional careers that were applicable to the association. Examples include attorneys, accountants, and engineers.

Boards comprise people with these skills as well as other owners who are simply concerned about protecting their most important investment – their home. This approach generally worked well in the early years of the association industry. Today, however, community associations are being managed more like a business with the help of outside consultants such as attorneys, engineers, and accountants who specialize in community association

property. One example is planning for future capital repairs with an adequate reserve fund.

Now more than ever, associations are using the services of independent engineering firms that specialize in 30-year Reserve Studies. A professional Reserve Study determines accurate, supportable annual reserve contributions necessary for the repair or replacement of common property as it wears out over the development's life.

Professional Reserve Studies are designed to eliminate special assessments by ensuring that sufficient funds are available when property components need to be repaired or replaced. Elimination of special assessments offers peace of mind to owners and reduces claims of financial mismanagement.

Why are community associations being managed like businesses?

Homeowners view their home as a financial investment that they expect

to appreciate in value. More important, associations are increasingly emulating business management because of the fiduciary nature and responsibility of association boards.

Lawsuits and claims of financial mismanagement have driven state governments to protect citizens who are a part of community living. Regulatory pressure from state governments has increased dramatically in recent years regarding the fiduciary obligations of boards and managers.

Examples include licensing and certification of property managers and more state legislation. These laws are designed to ensure that associations are reserving appropriate levels of funding for common element replacement. Some state statutes call for "reasonable" or "adequate" reserve funds, while others such as Michigan require that the association "shall maintain a reserve fund which, at a minimum, shall be equal to (continued on page 4)

Associa Supports Kids

Did you know that Associa Supports Kids (ASK) will help children in your community who participate on or in youth sport and fitness teams?

Associa Supports Kids educates parents and children about safety in and around the home and sponsors youth sports and fitness programs to help kids lead a more active lifestyle.

The ASK Sports Program is a grassroots, community program designed specifically for your community. The ASK Sports Program supports local youth sports and fitness activities with a sponsorship of up to \$250 annually per team. Sponsorships are available to teams with at least one member of the team living in your community.

Last year, Associa Supports Kids donated to youth teams in baseball, basketball, cheerleading, dance, hockey, soccer and swimming. The requests range from financial assistance for uniforms and end-of-year awards to building new baseball fields and supplementing coaching salaries...ASK even helped with the purchase of starting blocks and new lane lines.

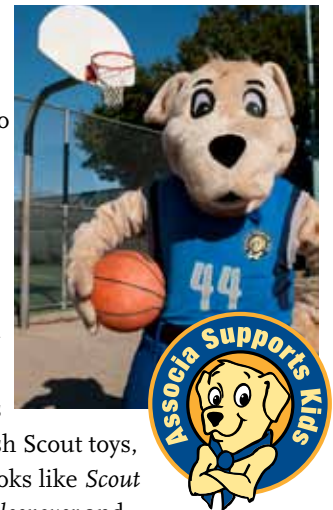
We'd like to help by partnering in your community. Are there kids in your community who participate on a youth sport or fitness team? Do they need help affording uniforms, registration fees or travel expenses? All they need to do is complete and submit the ASK Sponsorship Request Form.

For the ASK Sponsorship Request Form, email Christy Earl at cearl@associaonline.com. We will supply your team with the ASK logo and other necessary information for sponsorships and printing opportunities on uniforms, flyers, posters, playbills, websites, etc.

Don't forget that you can also reserve the ASK mascot, Scout, for your next community event. At neighborhood events, Scout hands out Safety Tip coloring books, plush Scout toys, rub-on tattoos and Scout's own books like *Scout Goes to the Beach*, *Scout Goes to a Sleepover* and *Scout Stays Active and Strong* to each child in attendance. Parents receive an ASK safety brochure and a ChildPrint identification kit. We can help ensure you have Scout and ASK materials at your next event.

With basketball season in full swing and spring sports just around the corner, now is a great time to look to Associa Supports Kids for financial sponsorships. Serving your community is important to us. We look forward to helping.

To find out more about Associa Supports Kids, visit our website at www.associasupportskids.org or contact your community manager.



INSURANCE FAQ'S

As many of you are aware, insurance can be confusing for just about anyone who doesn't deal with it on a daily basis. Between coverage options, multiple deductibles/limits, and insurance terminology in general, this subject causes a lot of anxiety for many people. To provide you with a little bit of relief, here are answers to two of the most common questions I've encountered. I hope you find this information helpful:

1. Why do associations with NO employees need Workers Compensation (WC) coverage?

Unfortunately, many contractors live job to job, whether the economy is rough or not. In addition, many boards knowingly hire uninsured contractors, and still don't carry WC coverage for the association. Whether its financial distress or office oversight, there's always the potential for a contractor's WC (or even their liability) insurance to lapse. Yes, they've given you a certificate of insurance, but that doesn't always mean they are paying their bills. In most cases, a carrier will inform all certificate holders that the contractor's coverage has lapsed, but many times that notification could come weeks after the

policy's been canceled. The certificate confirms coverage for the day you receive it, but a month or so down the road, the contractor's carrier could cancel them for nonpayment and yet they're still doing work for your association. In the event that a contractor's employee is injured, that employee would be able to bring a lawsuit against all parties involved in that project. Do keep in mind though, that most liability policies have specific exclusions for WC related injuries. However, if the association has its own WC policy in place, it will keep any employee or contractor's employee from filing a tort suit against the association. In fact, one of the major reasons WC coverage was designed was to keep employees from being able to file suit against their employers. The same holds true for any association.

Regarding hold harmless agreements – yes, a well drafted agreement can work, but it never totally eliminates an injured party from suing and collecting from an association. However, they won't help you if the contractor's insolvent or in financial duress. In addition, there's always the possibility

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RESERVE STUDIES MINIMIZE LIABILITY, CONT.

10% of the association's current annual budget on a noncumulative basis." While regulations vary from state to state, there is a strong trend toward more legislation rather than less.

The purpose of condominium related legislation is to protect current association members and prospective buyers, and to ensure that the association is properly managed. Questions of fiduciary responsibility date back at least as far as the early 1980s in California case law with the landmark Raven's Cove decision, which discussed the fiduciary responsibilities of directors of a nonprofit organization, namely, the association. On January 20, 1981, The Court of Appeal, Taylor, P.J held that: "...where owners' association's original directors... failed to exercise their supervisory and managerial responsibilities to assess each condominium unit for an adequate reserve fund ... Former directors of the association breached their fiduciary duty and were individually liable to the association for said breach..." Thus, important case law came into being which affects the individual liability of condominium directors and officers. One may wonder what his "fiduciary duties" are or "why should I be concerned if I am covered by D&O liability insurance?" As a director of a community association, your actions (or inactions) have an impact on your and the members' financial

well-being now and in the future. Your association's insurance premiums could escalate as a result of D & O litigation.

Also, board members can be subpoenaed in litigious situations years after leaving the board to testify against accusations of mismanagement. Even the American Institute of Certified Public Accounts (AICPA) has guidelines that specifically address community associations and the funding of reserves.

The AICPA Audits of Common Interest Realty Associations clearly states that the association's "primary duties are to maintain and preserve the common property." "Inadequate funding for future major repairs and replacements may adversely affect the ability of owners to sell or refinance their units, because of the concerns of prospective buyers or the banks which can lead to difficulty in obtaining mortgage financing."

The AICPA audit guidelines require disclosure in the financial statements about an association's funding for future repairs and replacements. If the disclosure about an association's funding for major repairs or replacements is inadequate, the auditor will modify his or her report. In other words, the association will receive a qualified audit. Qualified audits raise many questions on the part of prospective buyers, and particularly, their lenders.

Association boards are becoming more sophisticated in the way they conduct association business. Sound business decisions for the future cannot be made without a reliable snapshot of where the organization is now, as well as where it's planning to go.

Boards and management companies alike look to firms specializing in reserve studies for an independent, accurate projection of future capital repair costs. The reserve study becomes the blueprint that the current and future boards will rely on with complete confidence to fulfill their fiduciary responsibility. They'll be assured fewer claims of financial mismanagement because they invested in independent, expert advice.

ABOUT AUTHOR:

John P. Poehlmann, RS

John is a principal of Reserve Advisors, which specializes in Reserve Studies throughout the United States and Canada. He is cofounder of the Reserve Professionals Committee of the Community Associations Institute (CAI) which developed national standards and Reserve Specialist designation for Reserve Study providers. He also serves on the national board of trustees for CAI. John can be reached at 800•221•9882 or www.reserveadvisors.com.



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INSURANCE FAQ'S, cont.

that an intelligent lawyer could poke holes in your agreement, regardless of how well drafted it is.

Another common misconception is that if the association doesn't carry a WC policy, then the association's general liability policy would respond (via its medical expense limit). I'd be extremely careful about this way of thinking because most liability policies contain a specific exclusion for any type of WC claim/loss. If there's no WC policy in place, and the GL policy can't be triggered, then the association will be left picking up the cost.

Another common scenario to consider – say a committee member, volunteer, or board member pays a neighborhood kid, a friend, or a retired owner to perform small jobs around the community. What happens if that paid person for example, slips and falls off a ladder, or develops tennis elbow or carpal tunnel while working on behalf of the association? Even the smallest jobs can cause long lasting injuries. There are many scenarios that could crop up and plague any association. There is no reason to put your association at risk when WC premiums (for NO employees) are so affordable (\$250 - \$700 annually, depending on your state).

2. Should an association carry crime coverage?

Yes they should. Even though most management companies today handle all of the accounting for their associations and thus, carry their own crime insurance, many things could happen to a community's money/investments that may have nothing to do with your management company's security or processes. In this case, if the loss wasn't due to the management company's accounting error or negligence, then

the association could be responsible for the loss.

Even more importantly, recent changes in Fannie Mae and FHA guidelines state that any condo or townhome association with 20+ units or \$50,000+ in annual assessment income should purchase a crime limit that is equal to or greater than 3 months of total assessments, plus any reserves. These requirements have also become state law for some states, so be aware. If the association has less than the required amount, then the lender will most likely reject the new loan or refinance until the association's crime limit is increased. The good news is that crime coverage is fairly inexpensive and your request to increase the crime limit shouldn't take more than a day or so to process.



FOR MORE INFORMATION, please contact:

Bo Bond, Senior Sales Executive:

Toll Free: 877-367-9298

Email: bbond@associationsinsuranceagency.com

Web: www.associationsinsuranceagency.com



From our CEO, Kevin Caruso, Welcoming Newest Member



Dave Lewellen

I would like to take this opportunity to introduce the newest member to our staff, Dave Lewellen. He has joined our company in January and will be serving as Vice President. Dave is a seasoned business executive with over 20 years experience managing community associations. For over 12 years he has held the Professional

Community Association Manager (PCAM®), and the Association Management Specialist (AMS®) designations. These are the highest designations issued by the Community Associations Institute (CAI) and demonstrate his commitment and

accomplishments in our industry. Dave also has experience in the insurance industry and he has a background in real estate development and real estate sales.

One of Dave's responsibilities will be to teach our Board Training Seminars that will be offered throughout this coming year. The primary purpose of these seminars is to assist both new and experienced board members to serve more effectively in their roles. We plan to hold the first one sometime in the spring and we hope each one of you will take advantage of these seminars. Since Dave has relocated from Chautauqua County, New York, please join us the next time you visit our office and wish him a warm welcome to life in the low country.

From the Associa OnCall Maintenance Director, Herman Wandall

As the New Year begins, it is time to turn our attention to preparing for tourist season. Its time to begin thinking about the maintenance needs of your properties. Associa OnCall can help with planning and scheduling your community's maintenance needs for the coming season. Simply contact your community manager to schedule a meeting with us!

Associa OnCall is now fully staffed with industry professionals ready to meet your "every" need. If we can't do it then it can't be done. Our Technicians have many years of experience behind them and are involved in monthly company training secessions to keep current with new construction and maintenance trends. We have clean fully wrapped vans, trucks and uniformed technicians that help to set us apart from the rest.

Associa OnCall allows you to have your own personal maintenance team. We're a trusted "neighbor" that's already hard at work in your association, and we're just a phone call away. We offer all types of association services: building inspections, preventive maintenance development, landscaping, electrical & plumbing services and more.

No matter how large or small your needs are, Associa OnCall can meet them with professional, complete, and timely service. When you require assistance with repair, installation, supervision, or just advice on one of your own improvement projects or a community project – or both – we're here to help.

Associa OnCall provides a broad portfolio of association-related services including:

- Project oversight
- Building maintenance
- Common area repairs and maintenance
- Emergency repairs
- Lighting and electrical
- Gutter cleaning and building drainage
- Janitorial and porter work
- Landscape services
- Insurance claims
- Capital projects
- Preventive maintenance



Get Your Plaid On!

Hilton Head Island is home to one of golf's greatest traditions and the tradition continues! Mark your calendars for the RBC Heritage golf tournament which will take place April 9-15.

Golf legends like Nicklaus, Palmer, Tiger, and Greg Norman, as well as today's top golfers from around the globe, have all been challenged by the fairways of the Harbour Town Golf Links.

Get your tickets soon! For more information and tickets, please visit www.rbcheritage.com.

