

ILS Committee Meeting Minutes
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Date: October 14, 2024
Time: 5:45 p.m.
Attendees: Jackie Grebitus, Chair-person
Leslie Arnal, Member
Ricardo Pineda, Member
Pam Dimaggio, Member
John Baker, Guest

1. Fire and Hazard Insurance: Jackie reported to the committee that our previous fire and hazard insurance carrier, Farmers, dropped Nepenthe. Nepenthe's insurance broker Russo solicited bids from 31 companies, most of which would not insure or could not complete with the quote that Nepenthe did receive from Great American Risk Solutions. There is no "admitted carrier" that will underwrite insurance for Nepenthe. GARS quoted \$690,000 premium for fire and hazard insurance compared to \$220,000 with Farmers. The quote includes a \$100,000 deductible per incident, which would be passed on to the owner(s) involved in the incident. Next lowest bid that the broker received was \$1,200,000. The board approved the policy in executive session and the policy has been purchased. The increase in the premium relates to the "property" part of the insurance as opposed to general liability and other aspects of the insurance. The premium increase will be approximately \$70 per month per unit.
2. Flood Insurance: Notwithstanding the increase in the fire and hazard insurance premium, the committee continues to recommend that the HOA purchase flood insurance through the NFIP (National Flood Insurance Program). The Corp of Engineers is working to address erosion potential due to the fact that this is a pinch point. The Corp of Engineers has designed the levee to accommodate a 160,000 cubic feet per second flow. Currently, this is referred to as a 200 year event, which is defined as an event that has a half a percent chance of occurring in any given year. The United States Geological Survey similarly defines a 100 year flood in terms of probability: such a flood has a 1 percent chance of being met or exceeding in any given year. Their material states that during the span of a 30 year mortgage, a home in a 100 year floodplain has a 26 percent chance of experiencing a flood that meets or exceeds the 100 year flood criteria. See attached USGS material. Ricardo Pineda has calculated that there is a 14% chance of meeting or exceeding 160,000 cubic feet per second flow in the life of 30 year loan. The problem is the chance of experiencing such a flood can occur at any time - a week from now or 35 years from now, but there is a higher chance than you think of experiencing such an event over the course of a mortgage based on probabilities.

Of course, the levee is intended to protect us from such an event. But, it must hold. There is always a risk of flooding, whether due to overtopping or levee failure or uncontrolled street flooding. Despite recent improvements to the levee, the risk of levee failure exists because the levies are built on an unpredictable material: soil. While locally we do have a pump system to control street flooding, it is dependent on electricity. If the electricity goes out, there is no back up system to control local flooding. There is a 26% chance of this type of flooding to occur. This would not be covered by homeowner's insurance, but would be covered by NFIP. While we might be deemed a low to moderate risk area, as stated in the

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attached FEMA material attached, 25% of claims come from low to moderate flood risk areas.

3. Individual Renewal: Re the NFIP system, if an owner has continuity of policy, the premium may only go up by 18% per year. If one has non-continuity of coverage, the premium may spike to an actuarial rate - in other words the maximum rate. Therefore, if Nepenthe is not going to pay each owner's premium, the owners need to know well in advance before the policy expiration date so that they can renew individually rather than through the HOA. We believe the expiration date is early December 2024. It appears that each owner has an individual insurable interest even though most of us share walls. However, NFIP regulations are not entirely clear on this point.
4. The committee recommends that the board approve the improvements to the pool fences as proposed by the fencing company. The quotes were reasonable.

6:45 p.m end of meeting. Next meeting is scheduled for November 11, 2024, at 5:30 p.m.