

**West Galveston Island Property Owners Association (“WGIPOA”)
Board of Directors Meeting**

The WGIPOA Board of Directors meeting was held on September 17, 2016 at the Galveston Country Club, Galveston, Texas. Jerry Mohn, President called the meeting to order at 9:00 A.M. A quorum was established by the attendance of Boyd Carr – Isla Del Sol, Jay Lendrum – Dunes of West Beach, Wyatt Jernigan – Laffites Cove, Melanie Perry – Palm Beach, Ron Pearrow – Pirates POA, Kim Foley – Pointe West, Charley Jones – Sea Isle, Paul Voinis – Sportsman Road, and Craig Vance - Terramar. Susan Gonzales –CKM, acting Secretary was also present.

Jerry Mohn introduced Officials and Corporate Sponsors. Those present were Carolyn Sunseri – City Council Member, Chief Mike Wisko – GFD, Judge Jim Schweitzer and Judge Barbara Roberts. Corporate Sponsors present were Peggy Rapp (Barney Rapp Realtors) provided the financial reports, Galveston Insurance Associates, and Susan Gonzales – CKM Property Management, Inc.

The Board reviewed the minutes and financial reports. Motion by Charley Jones and seconded by Melanie Perry, the Board approved the Minutes of August 20, 2016 and the financial report by unanimous vote.

Community Policing – Sgt. Joe Milo was introduced. There has been a rash of burglaries – He advised to lock your cars, don’t leave items in your car. He also advised homeowners to put timers on their lights.

Update on Galveston Firehouse – Captain Mike Wisko has been the Fire Chief for three years. Improvements are that the City of Galveston split into two sections. 61st Street to the West end is one section. The Station has a Battalion Chief, ladder truck, there are three stations and all are manned. Hurricane Recover money was spent on repairs. Station 7 & 8 had renovations from Hurricane damage. The ISO rating is a 4 since 1991, they have worked to get a better rating and it is now “2”. This will reflect on your insurance for your fire policy for about a 10% reduction. The Fire Department does not manage the EM Services, but firefighters are trained on life threatening issues and have the equipment on their trucks. A new Fire Station is being built downtown.

District 6 – Carolyn Sunseri

The COG budget was approved. They are to approve the new tax rate which will be lower than last year. The COG meeting agendas are posted at Galveston.Tx.gov.

The speed limit on 11 Mile Road and Pabst Street has been set at 20 mph. Sea Isle drainage at a cost of \$566K improvements to be approved. The Sand Task Force consisting of COG, Parks Board, Texas A & M, and Jamaica Beach, will be holding a meeting. The community swimming pool will be breaking ground and ready by Spring. Representative Wayne Faircloth stated Senator Perry agreed to bringing State Representatives from all over Texas to Galveston to see what Galveston is all about. A boat ramp at 61st street is almost completed.

Insurance for Neighborhood and Community Associations presented by Michael Ruiz of Galveston Insurance Agency

Insurance Market

- Insurance Carrier - Establishes rates, policy forms, determines premium, pays claim. (Philadelphia, Travelers, Liberty Mutual, United Fire, TWIA)
- Insurance Broker/Agent/Advisor - – Manages clients risks, aids insured in creating policy to fit their needs, advises insurance program. (Galveston Insurance Associates)
- Insured - Business entities, Community Associations

Independent Agent

- Independent agent has multiple carriers to move policies to benefit insured for lowest rates/broader coverage.
- Captive Agent – Can only provide policies of their company - State Farm, All State, and Farmers

Basic Policies: General Liability, Property, Fire, Windstorm, Flood, Auto, Directors & Officers, Umbrella, Work Comp, and Crime

GENERAL LIABILITY COVERAGE

- Liability coverage for bodily injury and property damage to a third party
- Legal obligations from a covered occurrence/accident
- Liability coverage due to personal & advertising injury including lawsuits costs
- Medical Payments coverage pays the cost of medical expenses to 3rd parties injured on your premises regardless of fault
- Limits of insurance – Protect entity from costs of lawsuits and damages, regardless of negligence
- **These kinds of legal damages are covered as a result of your associations**

activities:

- Ownership, maintenance, or use of the premises
- Operations conducted or performed on and sometimes off the premises
- Written contracts and agreements
- Products manufactured, sold, or distributed
- Completed operations
- *Each of these coverages are subject to certain policy exclusions, conditions, and definitions.

WHAT IS NEVER COVERED

Expected or intended injury, liquor liability, workers Compensation, pollution, aircraft, auto or watercraft, some mobile equipment operation, war, damage to property in your care, custody or control; recall of products, work or impaired property, distribution of material in violation of statutes.

If a cause of loss is excluded from a policy, it either cannot be covered by an insurance policy, or is better covered elsewhere. **** Policies should be checked in the event a host liquor liability exclusion exists.**

Who is an insured?

Are you an insured? When in doubt, look in Section 2 of the policy to see who is an insured in that policy

1. YOU are, when NAMED ON THE DECLARATION PAGE, plus

a. In a limited liability company, you are an insured. Your members are also insureds & your managers are insureds **but only with respect to their duties as for you, for what this insurance covers.**

b. If an organization other than a partnership, joint venture or limited liability company, you are an insured & so is the "executive officers" & directors, **but only with respect to their duties as your officers or directors for what this insurance covers.**

c. If a trust, you are an insured. Your trustees are also insureds, but only with respect to their duties as trustees.

2. Each of the following is also an insured

a) Your volunteer workers and your employees only while performing duties related to the conduct of your business for these kinds of losses:

How is premium figured? It is based on the number of homes, playgrounds, pools, lakes, amenities, etc.

General Liability Accident Reporting –What can you do?

When possible, we recommend you instruct your board about the following: **1. Photos.** Scene of the accident, clothing worn, any bruising, cuts, scrapes or required stitches or casts to document the injury. **2. Witnesses.** If someone witnesses the fall, try to get their name, address and telephone number. **3. Accident Report.** What happened, when it happened, what time of day it occurred, and the conditions at the time of the accident (icy, dark, well lit, dry surface). Who was hurt (name, address, phone information). If they leave in an ambulance find out where they are being taken or make a note if they were treated at the scene and released or refused treatment. **4. Police Report.** When criminal activity could be involved, make a report to the police department and obtain a copy of that report. **5. Call the Insurance Agent.** Provide the materials collected to the loss adjuster when they call you. Remember, if you tell the insurance agent there is a claim, the agent **MUST** report it.

Hiring Independent Contractor?

• Your safety net is a certificate of insurance. – A subcontractor working for you with no insurance is considered your employee. – Uninsured subcontractor causes a loss; the hiring contractor could be found responsible for it. – Maintaining and monitoring certificates of insurance is a vital part of the Hiring Contractor's activities. – Subcontractors not permitted work unless and until they provide a current and valid certificate. • A written contract should outline the relationship and insurance requirements. – Association's should be named as an additional insured on the subcontractor's policy. – Contract should also specify the type of insurance and the limits required. – If the subcontractor has proper limits, this lessens the chance of your insurance being called to pay in the event of a loss.

Why Update policy info? At a time of claim, a snapshot is taken of the account to base the claim payment on. If all information is correct, claim paid no problem.

Auto Liability for entities who own no Vehicles

WHO? • Employee, director, officer, volunteer to make a delivery in their car on your association's behalf. • A director, officer, employee, volunteer uses their truck to pick up materials for the association • You borrow a truck to pick up equipment needed for the association. Why is this coverage necessary? - Should that driver cause a negligent accident while on association business, their own liability insurance will protect them, but it leaves the association without any form of auto liability protection. - Each entity who had an interest in that driver being on the road will be named on the resulting lawsuit. To protect your association if an accident occurs and you're sued, your business needs

Hired and Non-Owned Auto Liability coverage. It covers liability losses caused by a vehicle you rent, hire, or borrow while being used on association business.

Without an owned business vehicle, hired and non-owned auto liability insurance can be purchased to fill this gap. It can be purchased as an attachment to your General Liability policy, or a stand alone insurance policy. Usually in the neighborhood of \$175 - \$300 for \$1,000,000 of coverage

Loss Examples

- An Organization incurred a \$1.3Million auto liability loss resulting when they overloaded a borrowed 15-passenger van with supplies & materials. An officer of the organization was driving the top-heavy van when it rolled, fatally injuring the second passenger, also an organization officer, and injuring 2 volunteers.
- A pipe bursts during a holiday weekend at an associations property. A board member rushes to a home improvement store for an emergency plumbing part because a contractor could not be reached. He was operating his personal vehicle. He struck a middle-aged pedestrian moving in a crosswalk. Liability loss exposed the organization to a lawsuit and damages of \$1.1Million

Director & Officers Insurance - Provides insurance protection for damages & expenses associated with allegations that wrongful acts have been committed or alleged to have committed in the course of management of the insured association. It protects: The Directors & Officers, individually, The Association Entity, The Architectural Committee and other committees and the Management Company.

The premium is derived from the number of homes

Why you need it • Claim Example:

- Homeowner sues the board and association because of their decision to approve a neighbors fence addition which negatively effected the value of their home.
- Homeowner sues the board for improper usage of funds to repair the associations community pool and pool building.

Policy Check: Ensure your policy does not have exclusions for sub-committee's.

HOW DEFENSE IS PAID

Defense is a significant part of this kind of insurance as the majority of these cases do not go to court. When it comes to how defense is handled, each coverage form is unique. – Defense can be “**duty to defend**” meaning the insurance company selects the

legal council, and handles all aspects of the claim defense without the insured having a say in the selection. This is the best way for associations who may not have access to the types of attorney representation skilled in these kinds of losses.

– Defense can also be paid on a “**Pay on Behalf**” method, when the insured association selects the attorney they want, and sends that information to the insurance company to approve the attorney. Once approved, the insurance company works directly with the attorney to pay the legal fees direct as they are incurred.

Exclusions:

Common exclusions found in a D&O policy:

A. Libel or slander

B. The gain of any personal profit or advantage to which the insureds were not legally entitled. Most policies will defend against loss involving allegations of dishonesty, but the obligation ends upon proof of deliberate dishonesty.

Workers Compensation

- Pays medical benefits, wages, death benefits in the event of a loss resulting directly from a work accident.
- Specified loss must arise out of, and occur during the course of their employment.
- For associations...Coverage can be purchased on an “IF ANY” basis, meaning the association has NO employees. The premium is roughly \$250 a year. **JUST IN CASE!**
- Claim Example:
 - Board member installing new lights at the clubhouse, falls off ladder, injuries result surgery and un-employment.
 - Individual had no health insurance, sues association for medical bills, and lost wages of their current profession.

When Hiring Contractors

- All contractors working for you, the association, should provide you evidence in the form of a certificate of insurance showing they have Workers Compensation insurance. At audit time this is critical so your own WC policy audit will not be charged for those contractors you subbed out the work to.
- If the sub-contractors do not have WC insurance, a waiver form should be obtained once a year from each sub. DWC 83 states you are the hiring contractor and it shows you will not be providing coverage for the independent contractor or for their own employed workers. Waivers are also important to show there was no intent on behalf of the hiring contractor to provide WC benefits, and the independent contract is truly independent.
- Blank DWC 83 Waiver forms can be located on the website of the Texas Department of Insurance. **DWC 83 –Waiver Form**

Umbrella

- Insurance for the catastrophic loss. Additional limits atop underlying coverage.
- Provides limits you hope you never have to use but that could save your business and your association from bankruptcy.
- Umbrella’s normally will not respond to a loss unless the underlying coverage form also covers it.

– Commercial General Liability, Automobile Liability, Workers' Compensation policy, and Directors & Officers Liability (**sometimes**)

Keep in mind that the umbrella normally will not respond to a loss unless the underlying coverage form also covers it.

Property

• Any one building or item owned, occupied or used by the Entity in their scope of business: Monument Sign, Clubhouse, Pool, Playgrounds, Fences, Picnic Tables, etc.

- What must you insure?
- Whatever your by-laws specify
- How large a deductible can you handle?

Association Property

Considering insurance for a structure?

- The building, structure or object itself (Be sure to get a WPI-8 on all new construction)
- Business personal property / Contents inside and outside of a building
- Personal property of others in the building
- Machinery & Equipment attached to the building and its purpose
- Site Improvements like signs, landscape, sprinkler systems, paving.

1) Claim Payment - What do you want?

- Replacement cost - pays claims based on cost to replace, restore or repair your property with like kind and quality.
- Association boards have a responsibility to the other association members to restore damage property that is owned in common, replacement cost.
- Actual cash value – If not going to replace... Loss calculated to find replacement cost is, depreciation applied, deductible applied, loss check cut for remaining balance.

2) What size Deductible can you stand?

- The larger the deductible, the smaller the premium.
- Depending on where it is located, the wind/hail deductible could be larger than property deductible.

How is premium determined for Property?

- Where it is physically located? • Measurements - Square footage • Date of construction
- Roof construction • Updates • Roof/wiring/plumbing/HVAC – replaced when? • Fire Protection • public hydrants, private stand pipes, sprinkler systems are • Nearest fire Depart.

Claim Example

- Monument Sign – Driver loses control of vehicle, destroys monument. Driver has no insurance, your insurance pays reconstruction costs.
- Playground Equipment – Vandals destroy equipment.
- Clubhouse/Pool Building - Electrical fire burns building to ground.

Next meeting is October 22, 2016 (4th Saturday) with Brian Maxwell, City Manager
Meeting adjourned at 10:17 A.M.