



OPEN MEETING

**MINUTES OF THE SPECIAL TOWN HALL MEETING OF THE
BOARD OF DIRECTORS
OF THIRD LAGUNA HILLS MUTUAL,
A CALIFORNIA NON-PROFIT MUTUAL BENEFIT CORPORATION**

THIRD SPECIAL ELECTION INFORMATION MEETING

Friday, June 7, 2021
Laguna Woods Village Community Center
Virtual Meeting • 9:30 a.m.

Directors Present: Steve Parsons, Annie McCary, Robert Mutchnick, Lynn Jarrett, Ralph Engdahl, John Frankel, Craig Wayne, Debbie Dotson

Directors Absent: Donna Rane-Szostak, Reza Karimi, Cush Bhada

Staff Present: Cheryl Silva, Grant Schultz

1. Welcome and Acknowledgement of Press, Village TV, and Attendees – President Parsons

President Parsons called the meeting to order at 9:30 a.m. and welcomed and acknowledged the press, Village TV and residents watching online. President Parsons asked the Secretary of the Board to read announcements.

Director Jarrett announced how residents can request duplicate ballots from the Inspector of Elections by calling (855)240-0363. Ballots are due back on June 28, 2021 at 5:00 p.m. The Garden Villa Rec. Rooms will reopen on June 15, 2021.

2. Introduction of the Board Members – President Parsons

President Parsons introduced the board members in the board room and online attending by Zoom.

3. New Amendment Article XI, Section 1 of the CC&Rs – President Parsons

President Parsons read the following amendment to Article XI, Section 1 of the CC&Rs.

Proposed Language to Replace Article XI, Section 1 of the CC&Rs:

1. The Mutual shall obtain and maintain a policy or policies of property insurance with extended all-risk coverage for a reasonable insurable replacement value of insurable improvements of the Common Area and Units of the Project and Related Projects. For purposes of this provision, "reasonable insurance replacement value" shall not be required to be 100% full insurable replacement coverage if the same is deemed by the Board of Directors to not be practical or reasonably affordable for the Mutual. The Board of Directors shall endeavor to make a reasonable effort, if reasonably affordable, to maintain property insurance with a valuation that is generally acceptable to and/not

prohibited by residential mortgage and secondary mortgage markets. Notwithstanding anything to the contrary contained herein, at all times if commercially available, no matter the cost, the Mutual shall maintain property insurance in an amount which is no less than two (2) times the most current Probable Maximum Loss (PML).

4. **Member Comments (Three Minutes per Speaker)**

At this time Members only addressed the Board of Directors regarding the Third Mutual Special Election. The Board reserved the right to limit the total amount of time allotted for the Open Forum. Members could join the Zoom Meeting by clicking on the link <https://zoom.us/j/94899806730>; calling (949) 268-2020 or emailing their question to meeting@vmsinc.org.

- A Member encouraged resident to vote “yes” to solve the insurance dilemma.
- A Member spoke in favor of the amendment change to the CC&Rs to maintain property insurance in an amount which is no less than two (2) times the most current Probable Maximum Loss (PML).
- A Member asked about the wording in the new amendment of Article XI, Section 1 of the CC&R’s. He asked about what the projected cost of property insurance will be if the amendment is passed as opposed to not being passed.
- A Member asked about the wording in the new amendment regarding two times the PML.
- A Member asked how many ballots were returned during the last election to amend the CC&R’s.
- A Member asked if all the ballots have been mailed out and thanked the board members that attended the car rally this weekend. Residents should help anyone in their cul-de-sac that needs assistance with their ballot.
- A Member asked about the insurance amount of two times the PML as the minimum amount of property insurance the mutual would purchase.
- A Member asked how does one calculate the PML.
- A Member asked how did the \$3 million get approved last year.
- A Member commented that last year that the board had to use the disaster reserve fund to cover the increase in insurance cost.
- A Member asked the board to elaborate on the PML.
- A Member asked about the \$93 per month increase in assessments.
- A Member asked why the language was removed about a 5% maximum deductible and why the changes were made in the Civil Code.
- A Member is seeking more information about the PML.
- A Member commented about the cost of installing sprinklers in Third Mutual buildings.
- A Member asked about obtaining additional insurance.

5. **Board Member Responses to Resident Questions**

- Director Mutchnick responded we cannot change the wording because the ballots have already been sent out to the residents. Projected property insurance is hard to predict because we do not know what the insurance companies are going to charge.
- Director Mutchnick responded that two times the PML is the baseline and the board will obtain more than that if possible.

- Director Mutchnick responded right now the CC&Rs require the board to obtain 100% replacement cost for property insurance which is \$1.6 billion.
- Director Mutchnick responded 63% of the residents cast ballots last time.
- Director Mutchnick responded we are only allowed by law to raise the assessments 20% each year.
- Director Jarrett commented the ballots were mailed out May 28, 2021. You can call 855-240-0363 if you have not received your ballot.
- Director Mutchnick responded that the PML is calculated by an outside company to determine what the PML would be in a major incident.
- Director Mutchnick responded that most lenders require residents that have a residential mortgage to have significant insurance to cover the loss.
- President Parsons responded that the lenders tell us what amount of insurance we need to be covered.
- Director Mutchnick responded that the board was shocked when the insurance rates when up as much as they did last year.
- Director Mutchnick responded that the mutual needs to replace the amount of money taken from disaster reserve fund to cover the increase in insurance costs.
- President Parsons commented that the PML is done by an outside company and they have determined that the PML is \$145 million.
- Director Mutchnick commented that the \$93 increase per manor/per month in assessments is a reality if the amendment does not pass.
- Director Mutchnick commented that the insurance companies drive the deductible required to be insured.
- Director Mutchnick commented that if we do not carry enough insurance we would need to have a special assessment to make up for the total amount of the loss.
- President Parsons commented that running sprinkler lines to all of our buildings would be difficult and very expensive.
- President Parsons commented that residents are encouraged to purchase additional HO6 insurance.
- Director Engdahl commented that insurance is something we have to pay, but hope we never have to collect on.
- Director Mutchnick thanked the residents that have helped to get the initiative passed.

6. Concluding Remarks and Adjournment – Vice President McCary

President Parsons thanked the residents that submitted questions to the board and thanked those that attended today. Today's meeting will be rebroadcast on Village TV on Friday, June 11, 2021 at 9:30 a.m. The meeting was adjourned at 10:33 a.m.



Lynn Jarrett, Secretary of the Board
Third Laguna Hills Mutual