

# Memo

**To:** Darryl Mirsky  
**From:** Tyler Ingle  
**cc:** Board of Directors; Finance Advisory Committee; Richard Smetana; Vanessa Ayon  
**Date:** April 2, 2020  
**Re:** Response to email regarding Master Association Insurance Policy

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Thank you for your email dated Wednesday, March 11, 2020. The purpose of this memo is to formalize the response from Board, FAC, and management.

Questions/comments via email ([responses in blue](#))

I recently reviewed the Accord Insurance summary included with the financial statements sent to all homeowners. I have two points:

1. There was no mention of earthquake coverage under the master association policy. Do we still have earthquake coverage for common area property? [Yes, the Association does maintain earthquake coverage. The copy of the evidence of insurance sent out with the 2019 audited financial statements did not include a copy of the evidence of earthquake coverage purchased with the property insurance policy. A copy of that certificate is attached to this memo. I have also attached a copy of the 2019 – 2020 Insurance Disclosure Statement that was mailed to all owners with a copy of the 2020 Budget in November 2019.](#)
2. I noticed that the replacement cost for association property is roughly 33 million in the asset depreciation schedule. Yet our association policy has only twenty-two million in Property coverage with replacement cost coverage. If these numbers are correct and depending how the replacement cost endorsement reads, we could be faced with a coinsurance penalty even with a partial loss. In the worst case, underinsured in the event of a total loss. [The insurance broker and the insurance carrier for the Association prepare the computation of Total Insurable Value \(TIV\) for the property insurance policy. We understand that the TIV for property coverage: 1\) excludes the estimated replacement cost for all asphalt and concrete in accordance with industry standard; 2\) excludes estimated cost to replace foundations and excavation; and 3\) is computed by reviewing Association documents, including the Reserve Study, as well as processing a Marshall and Swift Building Valuation \(industry standard for developing replacement costs and insurable values of buildings and other site improvements\). On the attached Comparison of Reserve Studies, the estimated replacement cost of common area assets excluding asphalt and concrete is \\$23.4 million for 2019 and \\$24.3 million for 2020. In addition, the Association has significant assets in the Replacement Fund should there be an uninsured loss. The Master Property Policy is written on an Agreed Value basis with a Blanket Endorsement and Co-Insurance is waived. On the limit for earthquake coverage, the Insurance Company was not willing to offer limits over \\$4M for asphalt, concrete and paved surfaces.](#)

As you can see on the attached Comparison of Reserve Studies, the 2019 estimated replacement cost of common area assets with asphalt and concrete at a maximum of \$4 million was \$27.4 million as compared to the limit of \$27.5 million. For the 2020 – 2021 insurance renewal, we anticipated that the earthquake limit will be increased to \$28.3 million based upon the updated estimates of current replacement cost reported in the 2020 Reserve Study completed in October 2019.

#### Attachments

- Summary of all insurance coverage provided with the 2020 Budget
- Earthquake policy – certificate of insurance
- Comparison of reserve studies – Estimated current replacement cost by year

# **2019 – 2020 Insurance Disclosure Statement**

(As required by California Civil Code Section 5300)

## ***SUN CITY SHADOW HILLS COMMUNITY ASSOCIATION***

The California Civil Code Section 5300 requires that the Association send insurance disclosure statement to each of its members. Accordingly, we are providing you the following information in compliance with the Civil Code.

The following is a summary of the Association's insurance coverage for policy period 2019 – 2020:

Coverage for Items 1, 2, 3, 5, 6, 7 & 8 below are provided by: **Prendiville Insurance Agency**  
Phone: (949) 487-9696 / Fax: (949) 487-9626

### **1. Property Insurance: Policy # TGA07326301**

- |     |                                     |                                |
|-----|-------------------------------------|--------------------------------|
| (A) | Insurance carrier:                  | <u>Allianz</u>                 |
| (B) | The type of insurance:              | <u>Property</u>                |
| (C) | The policy limits of the insurance: | <u>\$ 21,675,926</u>           |
| (D) | The amount of deductible, if any:   | <u>\$ 2,500</u>                |
| (E) | The policy term is:                 | <u>04/22/2019 - 04/22/2020</u> |

### **2. Liability Insurance: Policy # TGA07326301**

- |     |                                     |   |
|-----|-------------------------------------|---|
| (A) | Insurance carrier:                  | <u>Allianz</u>  |
| (B) | The type of insurance:              | <u>Commercial General Liability</u>   |
| (C) | The policy limits of the insurance: | <u>\$ 1,000,000 Per Occurrence</u><br><u>\$ 3,000,000 General Aggregate</u> |
| (D) | The amount of deductible, if any:   | <u>N/A</u>  |
| (E) | The policy term is:                 | <u>04/22/2019 - 04/22/2020</u>  |

### **3. Earthquake Insurance: Policy # XHO800427801**

- |     |                                     |  |
|-----|-------------------------------------|--|
| (A) | Insurance carrier:                  | <u>Insurance Company of the West</u>                   |
| (B) | The type of insurance:              | <u>Earthquake Coverage</u>                             |
| (C) | The policy limits of the insurance: | <u>\$ 27,535,958</u>                                   |
| (D) | The amount of deductible, if any:   | <u>10%, Subject to \$50,000 minimum per occurrence</u> |
| (E) | The policy term is:                 | <u>04/22/2019 - 04/22/2020</u>                         |

### **4. Flood Insurance: Policy # N/A**

- |     |                                     |                       |
|-----|-------------------------------------|-----------------------|
| (A) | Insurance carrier:                  | <u>N/A</u>            |
| (B) | The type of insurance:              | <u>Flood Coverage</u> |
| (C) | The policy limits of the insurance: | <u>N/A</u>            |
| (D) | The amount of deductible, if any:   | <u>N/A</u>            |
| (E) | The policy term is:                 | <u>N/A</u>            |

**5. Fidelity Insurance (Fidelity Bond/Employee Dishonesty): Policy # CAC020342-0218 / 106736513 / SSA-392-56-74-04305-03**

- (A) Insurance carrier: Liberty Mutual / Travelers / Great American
- (B) The type of insurance: Crime
- (C) The policy limits of the insurance: \$ 15,000,000
- (D) The amount of deductible, if any: \$ 25,000
- (E) The policy term is: 04/22/2019 - 04/22/2020

**6. Directors & Officers Liability Insurance: Policy # 618789495**

- (A) Insurance carrier: Continental Casualty Company
- (B) The type of insurance: D&O Liability
- (C) The policy limits of the insurance: \$ 2,000,000 Per Occurrence  
\$ 2,000,000 Per Aggregate
- (D) The amount of deductible, if any: \$ 10,000
- (E) The policy term is: 04/22/2019 - 04/22/2020

**7. Umbrella Liability Insurance: Policy # PPP744000306**

- (A) Insurance carrier: Greenwich Insurance Company
- (B) The type of insurance: Umbrella Liability
- (C) The policy limits of the insurance: \$ 25,000,000 Per Occurrence  
\$ 25,000,000 Per Aggregate
- (D) The amount of deductible, if any: N/A
- (E) The policy term is: 04/22/2019 - 04/22/2020

**8. Workers' Compensation Insurance: Policy # WWC3408507**

- (A) Insurance carrier: AmTrust North America
- (B) The type of insurance: Workers' Compensation Insurance
- (C) The policy limits of the insurance: \$ 1,000,000
- (D) The amount of deductible, if any: N/A
- (E) The policy term is: 04/22/2019 - 04/22/2020

This summary of the Association's policies of insurance provides only certain information, as required by subdivision (b)(9) of Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property, or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.





# EVIDENCE OF COMMERCIAL PROPERTY INSURANCE

Cert ID 6221

DATE (MM/DD/YYYY)

04/18/2019

THIS EVIDENCE OF COMMERCIAL PROPERTY INSURANCE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE ADDITIONAL INTEREST NAMED BELOW. THIS EVIDENCE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS EVIDENCE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE ADDITIONAL INTEREST.

PRODUCER NAME, CONTACT PERSON AND ADDRESS Prendiville Insurance Agency 24661 Del Prado, Suite 3 License #0740433 Dana Point CA 92629		PHONE (A/C, No, Ext): (949) 487-9696	COMPANY NAME AND ADDRESS Insurance Company of the West	NAIC NO: 27847
FAX (A/C, No): (949) 487-9626	E-MAIL ADDRESS:		IF MULTIPLE COMPANIES, COMPLETE SEPARATE FORM FOR EACH	
CODE:	SUB CODE:		POLICY TYPE Earthquake	
AGENCY CUSTOMER ID #: 448289			LOAN NUMBER	POLICY NUMBER XH0800427801
NAMED INSURED AND ADDRESS Sun City Shadow Hills Community Association & Shadow Hills Golf Club c/o Desert Resort Management 80814 Sun City Blvd. Indio CA 92203			EFFECTIVE DATE 04/22/2019	EXPIRATION DATE 04/22/2020
ADDITIONAL NAMED INSURED(S)			CONTINUED UNTIL TERMINATED IF CHECKED	
			THIS REPLACES PRIOR EVIDENCE DATED:	

PROPERTY INFORMATION (ACORD 101 may be attached if more space is required) ☒ BUILDING OR ☐ BUSINESS PERSONAL PROPERTY

LOCATION/DESCRIPTION All Common Areas Within Sun City Shadow Hills Community, Indio, CA 92203


THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS EVIDENCE OF PROPERTY INSURANCE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

COVERAGE INFORMATION		PERILS INSURED	BASIC	BROAD	SPECIAL	X	Earthquake
COMMERCIAL PROPERTY COVERAGE AMOUNT OF INSURANCE: \$ 27,535,958		DED: 10%					
	YES	NO	N/A				
<input type="checkbox"/> BUSINESS INCOME <input type="checkbox"/> RENTAL VALUE			X	If YES, LIMIT: Actual Loss Sustained; # of months:			
BLANKET COVERAGE		X		If YES, indicate value(s) reported on property identified above: \$			
TERRORISM COVERAGE		X		Attach Disclosure Notice / DEC			
IS THERE A TERRORISM-SPECIFIC EXCLUSION?	X						
IS DOMESTIC TERRORISM EXCLUDED?	X						
LIMITED FUNGUS COVERAGE		X		If YES, LIMIT: DED:			
FUNGUS EXCLUSION (If "YES", specify organization's form used)	X						
REPLACEMENT COST	X			27,535,958			
AGREED VALUE		X					
COINSURANCE		X		If YES, %			
EQUIPMENT BREAKDOWN (If Applicable)		X		If YES, LIMIT: DED:			
ORDINANCE OR LAW - Coverage for loss to undamaged portion of bldg	X			If YES, LIMIT: Included DED:			
- Demolition Costs	X			If YES, LIMIT: 1,352,954 DED:			
- Incr. Cost of Construction	X			If YES, LIMIT: 1,352,954 DED:			
EARTH MOVEMENT (If Applicable)	X			If YES, LIMIT: DED:			
FLOOD (If Applicable)		X		If YES, LIMIT: DED:			
WIND / HAIL INCL <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO Subject to Different Provisions:			X	If YES, LIMIT: DED:			
NAMED STORM INCL <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO Subject to Different Provisions:			X	If YES, LIMIT: DED:			
PERMISSION TO WAIVE SUBROGATION IN FAVOR OF MORTGAGE HOLDER PRIOR TO LOSS			X				

## CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

## ADDITIONAL INTEREST

CONTRACT OF SALE	LENDER'S LOSS PAYABLE	LOSS PAYEE	LENDER SERVICING AGENT NAME AND ADDRESS
MORTGAGEE	X Certificate Holder		
NAME AND ADDRESS Desert Resort Management An Associa Company 80814 Sun City Blvd. Indio CA 92203			AUTHORIZED REPRESENTATIVE 

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## Special Conditions Overflow

DATE  
04/18/2019

AGENCY  
PHONE,  
(A/C, No, Ext): (949) 487-9696  
Fax  
(A/C, No.): (949) 487-9626

Prendiville Insurance Agency  
24661 Del Prado, Suite 3  
Dana Point CA 92629

APPLICANT  
(First  
Named  
Insured)  
Sun City Shadow Hills Community Association &  
Shadow Hills Golf Club  
c/o Desert Resort Management  
Indio CA 92203

CODE:  
AGENCY  
CUSTOMER ID: 448289

SUB CODE:

### SPECIAL CONDITIONS / OTHER COVERAGES

This Evidence of Insurance is Intended to Provide Proof of Insurance Only.

Deductible: 10% of the total values at risk at the time of loss per unit, subject to \$50,000 minimum per occurrence.

Sublimits: Access Systems/Gate House \$1,144,946; Building Ordinance Coverage A (Full Limit); Building Ordinance Coverage B + C Sublimit \$1,352,954; Carports \$160,000; Pools (3)/Spas (3) \$682,381; Roads \$4,000,000; Signs \$50,000; Underground Utilities \$338,238; Walls, Walks, Fences, Drives \$3,314,541.

\*CANCELLATION: EXCEPT 10 DAY NOTICE FOR NON-PAYMENT OF PREMIUM.

	A	B	C	D	E	F	G
1	Sun City Shadow Hills Community Association						
2	Analysis of Reserve Studies - 2015 through 2020						
3	Summary of Estimated Current Replacement Cost						
4							
5	<u>Description</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>FINAL</u> <u>2020</u>
6							
7	Access systems and gatehouses	\$ 880,944	\$ 1,118,102	\$ 1,173,551	\$ 1,201,024	\$ 1,144,946	\$ 1,224,879
8	Asphalt and concrete	13,417,835	13,300,420	13,358,020	13,529,390	9,309,266	9,382,793
9	General common area	2,654,458	2,569,036	3,310,203	2,516,248	2,022,205	2,210,755
10							
11	Golf course equipment, North	-	-	-	326,500	326,500	366,400
12	Golf course equipment, South	-	-	-	1,924,500	1,924,500	1,986,900
13	Total golf course equipment	-	-	-	2,251,000	2,251,000	2,353,300
14							
15	Golf course, North	3,226,971	3,252,833	3,130,523	1,978,263	2,814,466	2,778,466
16	Golf course, South	4,968,464	4,820,250	6,578,317	6,082,447	6,871,960	7,438,670
17	Total golf courses	8,195,435	8,073,083	9,708,840	8,060,710	9,686,426	10,217,136
18							
19	Montecito, Clubhouse, Exterior	688,308	693,329	716,729	673,790	634,005	656,405
20	Montecito, Clubhouse, Fitness	-	-	-	535,510	537,550	536,110
21	Montecito, Clubhouse, Interior	1,876,877	1,885,232	1,932,732	1,545,035	1,433,457	1,270,746
22	Montecito, Clubhouse, Mechanical	677,925	652,920	652,920	779,920	820,495	820,495
23	Montecito, Pools and Spa	352,527	350,747	361,597	390,360	412,636	417,606
24	Montecito, Sport Courts	229,870	227,470	243,470	215,101	186,515	194,015
25	Paint	-	-	-	704,496	673,463	685,698
26	Santa Rosa, Clubhouse, Exterior	413,457	456,377	458,927	389,527	320,907	382,782
27	Santa Rosa, Clubhouse, Fitness	-	-	-	243,540	269,770	229,121
28	Santa Rosa, Clubhouse, Interior	757,462	790,382	814,382	588,157	504,015	612,453
29	Santa Rosa, Clubhouse, Mechanical	216,750	253,430	255,430	259,130	257,430	241,830
30	Santa Rosa, Pool and Spa	230,930	247,738	303,136	193,347	269,745	229,746
31	Santa Rosa, Sport Courts	162,327	173,306	190,906	221,355	189,632	131,642
32	Subtotal	30,755,105	30,791,572	33,480,843	34,297,640	30,923,463	31,797,512
33							
34	Total, all other improvements	1,411,981	1,710,245	2,104,284	2,031,586	1,749,204	1,870,332
35							
36	Total	\$ 32,167,086	\$ 32,501,817	\$ 35,585,127	\$ 36,329,226	\$ 32,672,667	\$ 33,667,844

Comparison of Reserve Studies 2015 through 2021 as of 4-1-2020  
Replacement Cost Compare

	A	B	C	D	E	F	G
1	Sun City Shadow Hills Community Association						
2	Analysis of Reserve Studies - 2015 through 2020						
3	Summary of Estimated Current Replacement Cost						
4							
5	Description	2015	2016	2017	2018	2019	FINAL 2020
6							
37							
38	Rounded	\$ 32,170,000	\$ 32,500,000	\$ 35,590,000	\$ 36,330,000	\$ 32,670,000	\$ 33,670,000
39							
40	Increase/(decrease) from prior year	N/A	330,000	3,090,000	740,000	(3,660,000)	1,000,000
41							
42	Total without asphalt and concrete	\$ 18,749,251	\$ 19,201,397	\$ 22,227,107	\$ 22,799,836	\$ 23,363,401	\$ 24,285,051
43	Add asphalt and concrete	13,417,835	13,300,420	13,358,020	13,529,390	9,309,266	9,382,793
44							
45	Total	\$ 32,167,086	\$ 32,501,817	\$ 35,585,127	\$ 36,329,226	\$ 32,672,667	\$ 33,667,844
46							
47	Total without asphalt and concrete	\$ 18,749,251	\$ 19,201,397	\$ 22,227,107	\$ 22,799,836	\$ 23,363,401	\$ 24,285,051
48	Add \$4M sublimit for roads	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
49							
50	Total with roads at \$4M	\$ 22,749,251	\$ 23,201,397	\$ 26,227,107	\$ 26,799,836	\$ 27,363,401	\$ 28,285,051
51							
52	Earthquake (EQ) TIV policy limit			\$ 23,081,000	\$ 25,090,704	\$ 27,535,958	\$ 28,285,051
53							
54	Difference - Estimated Replacement Cost vs. EQ TIV Limit			\$ 3,146,107	\$ 1,709,132	\$ (172,557)	\$ -
55							
56	Total without asphalt and concrete	\$ 18,749,251	\$ 19,201,397	\$ 22,227,107	\$ 22,799,836	\$ 23,363,401	\$ 24,285,051
57							
58	Property TIV policy limit			17,968,000	21,675,926	21,675,926	22,429,822
59							
60	Difference - Estimated Replacement Cost vs. Property TIV limit			\$ 4,259,107	\$ 1,123,910	\$ 1,687,475	\$ 1,855,229
61							
62	Replacement fund total net assets as of beginning of year			\$ 11,638,761	\$ 11,209,534	\$ 12,367,354	\$ 13,288,018
63							