

Palisair Home Owners Association
A NON-PROFIT CORPORATION
P.O. Box 901
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The association itself is a "Tract Committee"
under the Declaration of Restrictions covering
Tracts 15944, 15948 and 19890, and operates as
such through its Board of directors and its Officers

May 28, 2015

Re: HOA Insurance and Claims

Dear Home Owners:

This letter is written to advise you of a recent development that impacts the Palisair Home Owners Association, and efforts that the board is undertaking to remedy the situation.

We were recently advised by Chubb Insurance Company, who provides insurance to the Association, that the current policy in effect from June 2, 2014 to June 2, 2015 will not be renewed. The reason for the notice of non-renewal is the number of claims asserted against the Association, which we will briefly discuss below. Although the term of the current insurance policy ends on June 2, 2015, we have already obtained an extension of this insurance policy through July 31, 2015 by paying Chubb an additional \$520 premium that they have charged for this coverage extension. The board has also engaged in efforts to obtain a replacement insurance policy through our broker, Allen Lawrence and Associates.

As we are sure that you are aware as home owners, obtaining insurance is important for the continued operation of the Association and the board who serves your interests. The current Chubb policy provides coverage limits of \$1,000,000 per year, which includes officers' & director's liability coverage for the board. In recent years, our Palisair community has experienced significant activity in terms of home sales and home owners who have

remodeled their homes to increase the footprint of structures on building pads. This has raised issues involving surrounding neighbors, including potential impact to their property from construction on an adjacent or nearby property. In several instances, disputes between homeowners resulted in the homeowners raising issues before the Association's board, who is asked to exercise its discretion to assist in resolving disputes and evaluate objections to whether a proposed construction project may violate the CC&R's that apply to homes within the Palisair tract. This is among the many volunteer services performed by the board, as provided for in the CC&Rs.

Unfortunately, in several instances in which the board has been called upon to make a decision involving a dispute between homeowners, it has resulted in one of the homeowners making a claim or filing a lawsuit against the Association, and even attempting to include individual volunteer board members. Over the past year, three claims have been required to be tendered to the Association's insurance carrier. Chubb has cited the number of claims as a basis for deciding to not renew the Association's coverage. While we will earnestly seek to obtain replacement coverage, it is a possibility that other insurance companies will similarly decide to not underwrite insurance for the Association and/or may charge a premium that is not in line with the modest annual dues that each of us homeowners currently pay. We will provide a further update within the next month to advise you of the results of the board's efforts to obtain replacement coverage.

As you know, the board is made up of individual home owners like all of you, who serve as volunteers and devote substantial time on Association matters, including assisting home owners with questions and various issues related to the CC&Rs. Because of the claims that have been made against the Association in the past, we believe it is critical to have insurance in place and will work to do so. However, if replacement insurance cannot be obtained, it is impractical to ask that volunteer members continue serving on the board or join as new members of the board. I imagine that each of you would decide that it is untenable to serve as a volunteer on a board and be asked to decide a disputed issue among homeowners, when that might result in a claim or lawsuit being filed without having the benefit of an insurance policy.

Of course, with or without a board, the CC&R's would still apply to our homes. However, without a board to help facilitate resolving disputes and assisting home owners with CC&R compliance, that would require the home owners themselves undertake those efforts without the board's help.

At present, there is a provision in the CC&Rs that precludes damage claims from being asserted against the Association. Article IV, Section 1 of the CC&R's provides, in pertinent part, that the "Tract Committee," which is defined to include the "Board of Directors of the Association," "shall not be held liable for damages or otherwise by any landowner of the tract for decisions or actions made or executed in good faith in the performance of its functions." This provision is for the benefit of the entire Association, as you and all other homeowners comprise the Association. Despite this provision, homeowners have asserted claims for damages against the Association, which have been tendered to the insurance company so that they can provide a defense and potential indemnity. In the near future, the board will be proposing additional provisions to the CC&Rs that will be intended to complement the provision above and protect the interests of the Association and its members. All home owners will be provided notice of the proposed modifications and a vote will be held concerning such, as provided for in the CC&Rs. However, for now, we will work on obtaining the needed replacement insurance coverage for the Association.

Please note that, in this letter, we have not provided the names or details of any claim and lawsuit that have been filed against the Association. We do this out of respect for those who have made the claims or filed the lawsuit. However, they are a matter of public record. As home owners who are members of the Association, you are also always invited to attend the board's monthly meetings, at which time we can address questions you may have regarding the claims, the status of our insurance or other matters. The date, time, location and agenda for the board's monthly meetings are posted on the Palisair Home Owner's Association website, www.palisair.org.

Very truly yours,

Francine Kirkpatrick, President Pro Tem

