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**MUTUAL ONE BOARD MEETINGS TAKE PLACE ON THE 4TH THURSDAY OF THE MONTH IN BLDG. 5;  
CONFERENCE ROOM B AT 9:00 AM**

# MUTUAL ONE MATTERS

## LEISURE WORLD SEAL BEACH

### Message from the President

The Mutual One budget for 2024 had previously been reviewed and approved by the Mutual One Board. Then came the surprise. **On October 30, 2023, GRF was informed the insurance rates were going up dramatically**—not something any of us want to hear.

#### **Why Now?**

With the combination of disasters that include fires and floods across the US, the insurance industry has lost over \$100 billion in each of the last three years. When California forbade any large rate increases, many insurers reacted by threatening to withdraw insurance coverage from California. The state relented. Chaos in the insurance industry ensued. Quotes were as high as a 300% rate increase. Insurance deductibles went up, too. Our Leisure World community retains an insurance broker whose negotiations resulted in what we now count on (as of November 29th) - an increase, but not as radical as it would have been with earlier quotes. Negotiations continued — looking for lower rates.

#### **Result**

Your 2023 Mutual One monthly payment included \$32.96 per month to cover disaster insurance for your unit. The 2024 rate will increase to \$41.93 month, a 27.2% increase. The Mutual One Board is staying with the 2023 rate, absorbing the increase with “reserves”. In addition, part of your 2023 monthly assessment included \$193.23 per month to GRF for salaries amenities, buildings, streets, reserve funds, and insurance. The 2024 GRF assessment portion, increases to \$213.25 per month. The exact 2024 monthly payment information for your unit is now available through CINC online.

#### **AND**

For many years Shareholders have been advised to have HO6 insurance coverage for all the upgrades and possessions in their households. Prior to 2024, Shareholders were advised to have an additional \$50,000 loss assessment deductible on the policy for fire damage to the apartment. For example, let's say a fire destroys your unit and it costs \$300,000 to rebuild. The money you pay the Mutual each month pays for \$250,000 of the rebuild costs-the other \$50,000 was covered by your personal insurance policy. What if you didn't have the \$50,000 loss assessment deductible coverage? Well, then, you pay the \$50,000 from your personal funds. **As of January 1, 2024, your HO6 insurance policy must include a \$100,000 loss assessment deductible.** In the scenario of a fire, that is illustrated above, Mutual insurance pays \$200,000 and your HO6 insurance will pay \$100,000. If you do not have the \$100,000 loss assessment deductible coverage on your homeowner's policy, then the \$100,000 will come from your personal funds. Make sure you contact your insurance broker to increase coverage for that deductible from \$50,000 to the new requirement of a \$100,000 loss assessment deductible. My personal insurance rate increased \$4.34 per month to increase the loss assessment from \$50,000 to \$100,000.

Yours in service,

**President Lieutenant Dan Weber**

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### Notes from the Mutual One Chief Financial Officer

#### **What is CINC?**

CINC is a property management software package that provides an impressive set of property management tools for property managers. CINC was rolled out early this year by the GRF to replace the somewhat dated *Jenark* property management software that had been used in Leisure World for many years. The rollout is not 100% complete. It takes time to transition from one system to another, e.g., some *Jenark* data sets and forms do not readily transfer to, or display in CINC. At this time, not all web pages are fully populated with forms and data. Furthermore, because of the diverse and extensive nature of GRF management functions, some auxiliary software packages are needed to augment CINC. CINC is expected to be fully implemented in early 2024.

#### **Why is it Important?**

##### **For Property Managers**

CINC is used extensively by the GRF to organize and display important data and information in easy to understand, and use, formats. Here are some examples: Automatic Accounts Payable, CCR (Covenants, Conditions & Restrictions)

Management, Monthly Board Reporting, Collections, Homeowner Billing and Payment, Integrated Banking Management, Finance and Accounting. It is also very useful to Mutual Boards of Directors. For example, tracking Shareholder complaints and delinquencies. Do you want to learn more about these functions and others? Go to <https://cincsystems.com/solutions> for details!

**For the Mutual Shareholder:**

For the individual shareholder, it is a valuable tool for keeping track of account balances and tracking work orders. At this time you will find Board meeting agendas and minutes. You will also find Mutual One governing documents (such as Bylaws and Rules and Regulations) and the Mutual One budget for 2024. The GRF will continue to offer introductory CINC classes throughout the year in the Knowledge and Learning Center in Clubhouse Three. The instructor does a great job of explaining the system and showing how to establish an account. I encourage all Shareholders to sign up for a class.

As stated above, the CINC rollout is not 100% complete. More forms and reports will be added. Nonetheless, when you establish your CINC account you will find the information and tools mentioned in a preceding paragraph. You can expect even more Mutual and GRF information in a few months. After the Mutual monthly finance report is added (a lengthy and detailed document), you can expect an article in Mutual One Matters, deciphering the line numbers.

In closing, two more points. First, and most important in the near term, CINC is a big step forward in the effort to achieve transparency with respect to how funds are budgeted and actually spent. In the long run, it will become an important resource for staying informed about the management of the Leisure World Community and the Mutuels. Second, we live in a period marked by transition from paper to paperless. Mailing checks, bills, and correspondence of all kinds is being displaced by online banking, social media platforms, texting and email. For many people a variety of business transactions and personal communications are conducted via computer or smart phone. By the way, have you ever had to deal with a web site that is difficult to maneuver through or is counter intuitive? It can be frustrating and time consuming. CINC is the opposite of that, because CINC web pages are easily accessed and the information is simply and intelligibly displayed.

**Property and Liability Insurance: The Final Numbers and the 2024 Budget**

The GRF retains an insurance broker to purchase property and liability insurance for (1) Trust Property and GRF Operations and (2) all of the Mutuels. For reasons set forth in Dan Weber’s article, 2024 premiums are increasing substantially. Unfortunately, in a nut shell, it pretty much comes down to this - we pay more for less. The coverage will be essentially the same but more expensive, while the deductible jumps from \$50,000 to \$100,000. This article sums up the cost increase and the impact on the 2024 budget.

The following is an excerpt from an email dated 12/22/23 from Dave Potter, the GRF Executive Manager for Mutual Services. The email sets forth a table giving the finalized 2024 property and liability insurance premium breakdown. Here are the Mutual One numbers:

<u>MUTUAL</u>	<u>UNITS</u>	<u>TOTAL ANNUAL PREMIUM</u>	<u>2024 BUDGET</u>	<u>VARIANCE</u>	<u>VARIANCE %</u>
ONE	844	\$438,821.10	\$341,730.10	(\$97,090.90)	28%

I added the following columns to this table to show the per unit cost to Mutual One Shareholders.

<u>COST PER UNIT FOR THE YEAR</u>	<u>COST PER UNIT PER MONTH</u>
<b>\$97,090.90 divided by 844 = \$115.04</b>	<b>\$115.04 divided by 12 = \$9.59</b>

**What does this mean?** Mutual One will have to pay about \$97,000 more than planned for insurance in 2024. That is about \$9.60 per unit, an amount that would ordinarily be passed on to Shareholders via an increased carrying charge. Will Mutual One be able to pay the bills in 2024 without a mid year carrying charge increase? Yes. We have a large amount of excess operating cash (formerly labeled as unrestricted reserves in the *Jenark* system, later moved to an equity investment account line in CINC, and finally reallocated to the operating account as excess operating cash). Bottom line: the variance can be covered by the operating account without impacting other 2024 budget line items. Nonetheless, it is not good to learn of a \$97,000 budget line item after the budget has been carefully vetted and approved; even if the variance can be covered through the operating account. Looking ahead, it is prudent to anticipate that 2025 Mutual and GRF carrying charges will increase to make up the deficit.

**John Markovich, CFO**