

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION
July 24, 2006**

PRESENT

Ellen Michaels, President
Frank Williams, Vice-President
Marty Deggeller, Treasurer
Jeff Schwartz, Director
John Steinhart, Director
Tom Bugary, Secretary and General Manager

WELCOME

Ellen Michaels called the meeting (via teleconference) to order at 9:05 AM, July 24, 2006.

INSURANCE

Background: With radical changes this year in the earthquake insurance market, Jeff Kane, KBK Insurance Company offered nine different options for earthquake insurance all of which greatly reduced our earthquake insurance coverage while increasing our annual premiums. Options offered:

<u>Limits of Insurance</u>	<u>Insurance Carrier</u>	<u>Deductible</u>	<u>06-07 Premium</u>
\$5,000,000 Loss Limit	Golden Bear Insurance Company Rated "B+", Admitted	10% per Bldg	\$37,507.00
\$10,000,000 Loss Limit	Golden Bear Insurance Company Rated "B+", Admitted Essex Insurance Company Rated "A", Non Admitted	10% per Bldg	\$49,674.25
\$5,000,000 Loss Limit	Empire/Clarendon Rated "A", Non Admitted	20% per Bldg	\$51,887.50
\$10,000,000 Loss Limit	Empire/Clarendon Rated "A" Non Admitted	20% per Bldg	\$67,363.75

\$15,000,000 Loss Limit	Empire/Clarendon Rated "A", Non-Admitted	20% per Bldg	\$77,681.25
\$5,000,000 Loss Limit	Golden Bear Insurance Company	15% per Bldg	\$33,725.00
\$10,000,000 Loss Limit	Golden Bear Insurance Company Mt. Hawley Insurance Company (A+) Non-Admitted	15% per Bldg	\$44,604.88
\$10,000,000 Loss Limit	Golden Bear Insurance Company Mt. Hawley Insurance Company	10% per Bldg	\$48,386.88

After a lengthy discussion, the Board elected, by a majority vote, to purchase earthquake insurance with a \$10M loss limit and 10% deductible for \$48,386.88.

The Board instructed Tom to have our broker send an informational letter out to the homeowners, explaining the coverage, including their ability to buy additional earthquake coverage with the California Earthquake Authority.

The Board discussed the shortfall in the Insurance Budget Line.

Cost of earthquake insurance	\$48,386.00
<u>Budgeted for earthquake insurance</u>	<u>\$29,271.00</u>
Shortfall	\$19,115.00

The Board agreed to allow the insurance budget line to be over budget drawing from cash reserves rather than assess the homeowners for this unexpected increase at this time. The Board also agreed to discuss the sharp increases in insurance at the next Board Meeting.

There being no further business, Ellen concluded the meeting at 9:40 AM.

FOR THE BOARD OF DIRECTORS:

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Thomas J. Bugary, CMCA, CCAM
General Manager and Secretary