

## Q & A from Queens Landing Town Hall Meeting held 3.24.23

### Background

Between 2010 and 2014 Queens Landing spent \$10,000,000 on building repairs resulting in average assessments to unit owners of approximately \$45,000. This was a result of deferred, preventable maintenance from water intrusion. We do not want to get into a similar situation.

### Why unit inspections are needed? Why now? The property insurance issue...

As a result of sustained high insurance claims for unit repair water-related losses, Queens Landing was placed into a high risk category and only non-admitted carriers would look at our business. Non-admitted insurers, also known as excess and surplus lines carriers, sell policies that are not backed by the State of Maryland, or any state. Insurance premiums and typical deductibles for the high-risk pool are considerably higher than for the non-high risk pool. Our insurance premium in 2016 approached \$300,000 per year with a \$25,000 deductible.

In order to reduce our risk profile with a goal of returning to a non-high risk insurance pool, Queens Landing decided to 1) temporarily self-insure unit repair costs and 2) to initiate mitigation actions for the largest water-related losses, polybutylene pipe failures.

Over the last seven years, Queens Landing has incurred about \$400,000 of unit repair costs of which the unit owners have paid about \$50,000 (the deductible). Self-insuring is in itself risky as there is often no predicting the size of a potential loss. Further, insurance carriers object to the practice since they do not learn of all the losses, and it does not give them an accurate and complete picture of the risk profile of the insured.

Mitigation however, is encouraged, and often demanded, by insurance carriers. When Queens Landing unit owners starting removing the polybutylene pipe we were able to move our insurance coverage back to a lower risk pool.

In order to keep our property insurance we must demonstrate we take our losses seriously and are willing to mitigate the causes of the major losses. In our case, these losses have been caused by fire risks (dryer vent fires, chimney fires) and water risks (hot water heater failures, leaks in toilets, icemakers, dishwashers, and HVAC condensate line failures). It is for this reason we are recommending required inspections and maintenance of these systems.

### Aside from dollar losses, what are the other impacts of these system failures?

While we can quantify the dollar losses, these system failures can result in severe inconvenience to the unit owner, and often to the neighboring units. Units could be without a kitchen or bathroom for months, without heat for weeks.

Further, if there is damage to a unit, Queens Landing is obliged to return the unit to its original builder-grade state. This means that if there have been improvements to the unit the unit owner will have to pay out-of-pocket to restore those.

## What inspections? What frequency? Community comments...

While the proposed Rules listed annual inspections of each of the systems, community members felt this may be too frequent. For example:

- Dryer vent: While we are mandating annual, some owners asked if we can make this cleaning less frequent. *Subsequent note: The Maintenance Committee strongly advised we retain the annual requirement.*
- Chimney inspection: Because we have had a chimney fire, the insurer can demand annual inspection and cleaning, OR after the first inspection, annual attestation from the unit owner that the chimney has not been used in the last year. *Subsequent note: The Maintenance Committee advised we require annual inspection unless a fireplace and chimney is disabled.*
- Sprinkler System: The last inspection was in 2014. The recommendation seems to be for every ten years, so we might schedule inspection in 2024, and at time of sale of the unit. *Subsequent note: While the Maintenance Committee would be more comfortable with a ten-year inspection plus a time of sale inspection, we are recommending only a ten-year inspection.*
- HVAC: The recommendation is for inspection and service twice a year, before the heating season and before the cooling season. Perhaps we could require at least once a year so that the condensate lines and coils are viewed at least that often. *Subsequent note: The new Rules document agrees with community recommendation to require annual spring inspection, and only recommend twice yearly servicing.*
- Water heater and plumbing: Given the high incidence of failures of these systems in our aging buildings, we recommended an annual inspection. Community members asked if instead of annual flushing of the hot water heater, we could require replacement of the hot water heater after ten years of service. *Subsequent note: The Maintenance Committee, after considerable discussion, recommends a ten year replacement of a tank hot water heater, plus an every-other year plumbing inspection.*

## Can we get a group rate on these inspections?

The Board has spoken with three companies who provide these types of inspections. One has submitted a proposal for the HVAC and plumbing inspections for just under \$350/year. They would offer a discount if 100 or more unit owners subscribed to their service. Additionally, for their subscribers they provide a 15% discount on non-covered purchases, no premium for night or weekend service, and 24 hour guaranteed turnaround.

We will look into a group rate for dryer vent cleaning, chimney inspection and sprinkler system inspection.