

# THE HEARTBEAT

— SPRING 2024 —

A collage of three images. The top image shows a close-up of a brick roof with a chimney pipe. The bottom-left image shows a fire burning in a brick fireplace. The bottom-right image shows a playground with people in the background.

## Part II of The New Realities of Community Association Insurance Underwriting.

See pages 6–7.



# Spring 2024

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## President's Letter

By: Jan Mullaney, CIRMS, EBP

Happy Spring!

Warmer weather is here, the eclipse was awesome, and CAI Heartland is thriving!

We are announcing a new membership campaign for 2024. In 2023 \$500 was awarded to Nicole Lewis, CMCA, AMS for the Chapter achievement of 500 members. This year our new campaign is to award a lucky recruiter, \$525 for the Chapter to reach 525 members. Keep those referrals coming in! It is amazing to watch us grow.

With our continued growth there are multiple opportunities for everyone to get involved. You can join a committee, some which are short term, and some which are a yearlong commitment. No worries! All meetings are via Zoom, and we are committed to only

an hour of your time. Plan on attending our in-person events, they are always a good time! Or simply be an advocate for CAI Heartland. Please consider any of these opportunities as they make our chapter stronger!

With CAI Heartland there are more in-person events than ever this calendar year. Plan on attending not only St. Louis events but take the opportunities in Kansas City, Branson and the Lake of the Ozarks for more chapter meetings and events. Don't forget our Zoom Chapter programs to satisfy your educational requirements and provide solid knowledge of the business.

Until next time!

Jan Mullaney  
President CAI Heartland  
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Community Insurance  
& Risk Management  
Specialist (CIRMS)

## 2024 EVENTS

# ST. LOUIS

FEB  
01

### 60's Theme Trivia Night

Woodard Cleaning & Restoration  
Thursday, 4-7 p.m.

FEB  
07

### A New Era in Reserve Studies

WEBINAR  
Wednesday, 11 a.m.-1 p.m.

MAR  
06

### Community Manager Peer to Peer

The Lodge in Des Peres  
Wednesday, 11 a.m.- 1 p.m.

APR  
03

### Legal Round Table

WEBINAR  
Wednesday, 11 a.m.-1 p.m.

APR  
10

### Meet the Manager Event

The Lodge in Des Peres  
Wednesday, 4-7 p.m.

MAY  
01

### Annual Manager Appreciation Reception

Moolah Shrine  
Wednesday, 4-6 p.m.

JUN  
05

### Board Best Practices

WEBINAR  
Wednesday, 6-8 p.m.

AUG  
13

### Annual Trade Show/ Expo

Sheraton Chalet in Westport  
Tuesday, 4-7 p.m.

SEP  
11

### Maintenance Round Table

The Lodge in Des Peres  
Wednesday, 11 a.m.- 1 p.m.

OCT  
02

### Community Rocks

The Lodge in Des Peres  
Wednesday, 9 a.m.-11 a.m.

OCT  
14

### Annual Golf Tournament

Lake Forest Country Club  
Monday, Shotgun starts at 10 a.m.

NOV  
06

### Insurance Round Table

WEBINAR  
Wednesday, 11 a.m.- 1 p.m.

DEC  
05

### Holiday Party

Location TBA

## 2024 EVENTS

# KANSAS CITY

FEB  
07

### A New Era in Reserve Studies

WEBINAR  
Wednesday, 11 a.m.-1 p.m.

MAR  
13

### Maintenance Round Table

Tomahawk Ridge Community Center  
Wednesday, 11 a.m.- 1 p.m.

APR  
03

### Legal Round Table

WEBINAR  
Wednesday, 11 a.m.- 1 p.m.

MAY  
15

### Budgets, Budgets, Budgets

Tomahawk Ridge Community Center  
Wednesday, 11 a.m.- 1 p.m.

JUN  
05

### Board Best Practices

WEBINAR  
Wednesday, 6-8 p.m.

JUN  
06

### Annual Manager Appreciation Reception

Grand Street Cafe  
Thursday, 5-7 p.m.

AUG  
05

### Annual Trade Show/ Expo

Sheraton Overland Park  
Monday, 4-7 p.m.

SEP  
12

### Landscaping Maintenance

Tomahawk Ridge Community Center  
Thursday, 11 a.m.- 1 p.m.

NOV  
06

### Insurance Round Table

WEBINAR  
Wednesday, 11 a.m.- 1 p.m.

NOV  
13

### Security: Keeping your Community Safe

Tomahawk Ridge Community Center  
Wednesday, 11 a.m.- 1 p.m.

DEC  
11

### Holiday Party

Location TBA

# The New Realities of Community Association Insurance Underwriting: A Two-Part Series

Co-authored by: **Jim Ruebsam, CIRMS, EBP**, Senior Vice President, The Daniel & Henry Company and **Steve Doores, PCAM, MBA**, Director of Community Association Client Service, The Daniel & Henry Company



## Part II: The New Insurance Market and Loss Control Issues

In the past issue of this newsletter, we addressed the “new reality” of underwriting for community associations. In this edition, we will address the many loss control and safety concerns that may prevent a community from obtaining the best terms from the insurance marketplace.

In this very challenging market, not only are insurance companies becoming more strict about building characteristics that were addressed in Part I, but they are also focusing on hazards that may lead to losses. Below, we will address the primary safety and loss control issues that underwriters and insurance inspectors are scrutinizing.



### Aluminum Wiring

If your community was constructed from the late 1960s through the early 1980s, there is a very high chance that you have aluminum wiring. As early as 1974, the heightened fire risk from aluminum wiring became apparent. In 2011, the US Consumer Product Safety Commission (CPSC) released a study that stated homes with aluminum wiring are 55 times more likely to have “fire hazard conditions” than homes with copper. In that study, the CPSC recommended that aluminum wiring be replaced with copper or remediated using approved methods.

Today, the insurance market is almost non-existent for communities with non-remediated aluminum wiring. The few insurers remaining that will write coverage are offering terms that are very expensive for the meager coverage you receive.

While rewiring with copper is preferred, it’s impractical for most community associations. In the Heartland region, using alumiconn connectors (see photo) is the most common method of remediation that is accepted by many insurers. The cost per unit for alumiconn remediation ranges widely based on the size of the unit and the number of outlets, switches, and light fixtures, but the cost usually ranges from \$2,500 - \$5,000 per unit.

Alumiconn remediation is often the only feasible way to be able to reduce insurance costs for communities with non-remediated aluminum wiring. If your community has non-remediated aluminum wiring, please contact one of CAI’s electrical contractor members to discuss your options.

### Electrical Panel Issues

Even more challenging than aluminum wiring are several types of electrical panels that pose a fire risk. Most of these panels were recalled decades ago, though it’s common to find them in communities constructed or remodeled from the 1960’s through the late 1980s.

If your community has any of the following types of electrical panels, they should be replaced immediately.

Federal Pacific / FPE Stab-Lok	Sylvania / GTE Sylvania	Zinsco	Challenger
--------------------------------	-------------------------	--------	------------

Many insurance companies strictly forbid issuing policies for properties with these types of panels, and the very few that will underwrite them require large deductibles and very significant price increases. If these are discovered during an inspection, often an insurer will

issue a cancellation—even during the middle of a policy term. Finally, there are many insurers that are adding a fire exclusion for any fire caused directly or indirectly by a forbidden panel.

### BBQ Grills and Heating Devices

Most insurance companies have adopted very strict underwriting guidelines regarding grilling. While fire codes related to grilling differ from municipality to municipality, during the past few years, the commercial insurance industry has widely adopted the [National Fire Protection Association \(NFPA\) standards](#).



In short, these standards forbid the operation of any cooking or heating device that generates a temperature of 200 degrees or more within 10 feet of a multi-family residential structure. This includes BBQ grills, smokers, electric grills, fire pits, chimineas, heaters, and similar devices. Furthermore, none of these devices may be stored on decks or balconies.

Insurance professionals realize that these standards are extremely unpopular, but the presence of grills and other devices on decks and balconies often leads to an immediate declination from most insurers. In this very challenged market, losing a potential insurer may result in significant cost increases for the community.

### Wood Burning Fireplaces

Increasingly, insurance companies are taking a hard line against wood burning fireplaces in multi-family buildings due to increased fire risk and the lack of cleaning and maintenance. While there are some insurance companies in the non-standard marketplace that allow them, the dwindling pool of standard markets are requiring that wood burning fireplaces be converted to gas or electric, or that the chimney be capped. Even some non-standard markets have recently adopted this position.

In order to dramatically decrease insurance costs, many Boards are passing strict rules forbidding the use of wood burning fireplaces and the storage of logs on decks and patios. In the Western United States, this has been an issue for more than a decade and has not gone away. Unfortunately, it may be here to stay in the Midwest as well.

If your community has wood burning fireplaces, now is a good time to survey owners to determine what percentage are actually using them. If it’s a small handful, it may make the decision to mandate conversion to gas or electric or capping them easier.

### Unsafe Balconies, Decks, and Sidewalks

Unlike in years past, most insurance companies are now ordering an on-site inspection for new policyholders. Inspectors are trained to look for deteriorating decks, balconies, awnings, overhangs, and uneven sidewalks. Not only are these extremely unsafe for Owners and their guests, they may lead to a cancellation of your insurance policy. Your community should have a plan to address these issues.

### General Maintenance Issues

Due to claims issues during the past several years, some insurance companies have a mandate to “clean up their books” of community association accounts. The collapse of the Champlain Towers in June 2021 exacerbated the focus on property maintenance.

Often, inspection reports are used for the culling of accounts, and deterioration of roofs, siding, and other building elements are sometimes used as a reason to non-renew an account. One way to combat this issue is to have a reserve study in place with a funding plan to correct any potential building issues. The Board should share this reserve study with your insurance professional so that they can demonstrate your community has a plan in place and is not relying on insurance funds to make repairs.

### Summary

Insurance professionals are very sympathetic to the hardships facing community associations, volunteer boards and community managers. We realize that adding and enforcing rules regarding grills and fireplaces and mandating expensive electrical system updates may create additional hardships. However, our job is to provide communities with strategies to obtain the best terms available in this challenging market.

Will these issues go away if the market softens? Perhaps, but it’s difficult to know when that may occur. Also, outside of the Heartland, many of these issues have existed for many years. Due to state statutes, governing documents, and lender requirements, the duty to obtain insurance is not going away. Therefore, boards and managers should tackle these challenges today to help your community obtain better terms as soon as possible.

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**LINE OF CREDIT (LOC)**

- Short-term financing
- Balance due at maturity
- Ability to complete work, pay contractors, and preserve property values

**TERM LOAN**

- Budgeted line item; adjust annual budget to incorporate debt
- Increase assessments to cover loan expense
- Special assessment for per owner charge; owner can either pay in full or finance their share over term of loan

**COMBINATION LINE OF CREDIT CONVERTING TO TERM LOAN**

- Project amount uncertain
- LOC to provide availability of funds
- Pay for only what is used
- Term loan will allow for time to repay amount borrowed
- Commonly repaid through regular assessments, special assessments, or combination

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# MOLAC Update

By: Nicole Lewis, CMCA, AMS

The 2024 Missouri Legislative Session is well underway, and your Missouri Legislative Action Committee Members (MO LAC) have been busy advocating for community associations. The team has worked thus far to introduce, monitor, and respond to legislation as it applies to community associations. We also hosted the 2nd Annual CAI Heartland Chapter Day at the Capitol on Tuesday, February 27th.

During the 2023 Legislative Session, the LAC successfully introduced the Homeowner's Bill of Rights – HB 1089. The bill ultimately did not make it out of committee due to opposition from the Home Builders, Lenders, Realtors, and Title Companies. During the legislative offseason, the LAC worked to trim down the bill to only address matters that directly affected the operations of community associations after the developers were out of the picture. The resulting bill is titled the Missouri Uniform Homeowners' Association Act. This bill provides solutions for communities who struggle with apathy as it relates to amendment votes, meeting quorum, and board vacancies. It sets forth a standard budgetary ratification process and eliminates arbitrary caps on assessments to ensure associations can properly fund their operating and reserve budgets. Collection provisions are also included as well as requirements to help keep disputes out of court when possible. With the help of our lobbyist Steven Carroll, we were able to secure a sponsor in both chambers. Representative Phil Oehlerking is the sponsor for HB 2270. Tracy McCreery is sponsoring SB 1324. SB1324 has been referred to the Senate Local Government and Elections Committee. We are hopeful a hearing will be granted in the coming weeks. We are also optimistic that HB 2270 will be referred to the House Local Government Committee.

The LAC is actively monitoring SB-985 which enacts provisions regarding deed restrictions, covenants, or similar agreements running with the land prohibiting ownership or pasturing of chickens. The MO LAC strongly opposes the proposed legislation that would prohibit HOAs from restricting the keeping of six or fewer chickens. This mandate takes away

neighborhood decision-making and could cause concerns related to noise, odor, predators, and animal diseases. The current law provides a clear process for HOAs to authorize their homeowners to vote on whether to allow certain activities in their community, and this process should be maintained to protect the ability of associations to self-govern and ensure that every neighborhood can make decisions that best suit their unique needs. LAC members testified in opposition of this bill during the recent committee hearing.

Our 2nd Annual Day at the Capitol was a huge success thanks to the participating CAI members and our lobbyist team Steven Carroll and Adam Rapert of Steven R. Carroll & Associates. We spent the day walking the halls of the Capitol meeting with lawmakers and discussing how the Missouri Uniform Homeowners' Association Act would make a positive impact on the operations of community associations. We met with a total of twelve (12) legislators: Rep. Phil Oehlerking (HB Sponsor), Senator Jill Carter (Member of the Senate Local Government and Elections Committee), Senator Sandy Crawford (Vice-Chair of the Senate Local Government and Elections Committee), Rep. Bill Faulkner (Chairman of the House Local Government Committee), Rep. Brad Christ (Past Sponsor of CAI Legislation), Re. Jeff Myers, Rep. Chris Lonsdale (Member of the House Local Government Committee), Rep. Jamie Berger (Assistant Majority Floor Leader and Member of the House Local Government Committee), Rep. Jon Patterson (Majority Floor Leader), Rep. Wendy Hausman, Senator Tracy McCreery (Senate Bill Sponsor), and Elaine Gannon (Chairwoman of the Senate Local Government Committee). The legislators were engaged in the discussions, and we feel confident they have a better understanding of critical issues community associations face.

MO LAC welcomes donations to help us fund our lobbyist partnership and legislative endeavors. Donations can be made by visiting the following link: <https://advocacy.caionline.org/lac-donation-form/>

– 5 REASONS WHY YOU SHOULD CONTRIBUTE –

TO YOUR MISSOURI LEGISLATIVE ACTION COMMITTEE



**Missouri Legislative Action Committee**

This diverse group of homeowner leaders, community managers, and representatives from community association business partners provides perspective on how proposed legislation could impact people living and working in community associations.

**WHY WE NEED YOUR HELP**

During legislative sessions in Missouri, there are always pieces of legislation introduced that impact Missouri community associations. We need your help now to continue to educate legislators and build relationships on your behalf. In order to be successful in supporting or opposing legislation, we rely on your support. Your donation makes our legislative advocacy and outreach efforts possible.

Please consider donating a \$1 per door (or more) so we can represent your community voice at the State Capitol. Giving is easy, simply donate online today at [www.advocacy.caionline.org](http://www.advocacy.caionline.org) or mail back your Buck a Door pledge form.

Additional information can be found on the Legislative Action Committee's website ([caiheartland.com](http://caiheartland.com))



**1 Gives you a voice.** The volunteer committee represents the approximately 948,000 Missourians who live and work with the Missouri's 5,700 community associations. Your donation saves you and your community association money by protecting Missouri's homeowner and condominium associations from burdensome legislation.

**2 Keeps you informed and involved.** The Missouri Legislative Action Committee organizes "grassroots" advocacy campaigns — letters, e-mails, phone, and social media communications regarding important issues related to community associations.

**3 Tracks legislation that could impact community associations.** In 2023, the committee reviewed 31 bills that directly or indirectly impacted community associations >> [www.caionline.org/LegislativeTracking](http://www.caionline.org/LegislativeTracking)

**4 Strengthens key relationships with lawmakers.** By educating lawmakers, legislative and executive staff, and other organizations, as well as testifying, the committee helps advance issues facing community associations and influence the outcome of legislation.

**5 Advocacy Successes.** MO LAC has advocated on several notable bills that impact community associations in the 2024 Legislative Sessions:  
**SB 1324 – Establishes the "Missouri Homeowners' Association Act."** - MO LAC has been endorsing this bill for several years. The proposed Homeowners' Bill of Rights in the state aims to standardize the rights of homeowners living in associations across the state. It would also provide clearer and more defined rules for homeowners and community associations. MO LAC is actively spearheading and supporting this bill while opposing other legislation that could harm community associations. **Status: The LAC supported this bill in 2023, where it failed sine die, but has reintroduced the bill for the 2024 session.**

**HB 2727 – Establishes the Uniform Unlawful Restrictions in Land Records Act.** The MO LAC supports the enactment of the Uniform Law Commission's model legislative language regarding the Uniform Unlawful Restrictions in Land Records Act. Although discriminatory covenants or unlawful restrictions are no longer enforceable, existing ones continue to clutter land records. The Act provides an association board with a simplified process to remove unenforceable discriminatory restrictive covenants without the need for notice or vote of full membership. **Status: Introduced in the House.**

**SB 985— Enacts provisions regarding deed restrictions, covenants, or similar agreements running with the land prohibiting ownership or pasturing of chickens** - would prohibit associations from prohibiting or restricting agricultural activities. The MO LAC strongly opposes the proposed legislation prohibiting HOAs from restricting the keeping of six or fewer chickens. The current law provides a clear process for HOAs to authorize their homeowners to vote on whether to allow certain activities in their community, and this process should be maintained to protect the ability of associations to self-govern and ensure that every neighborhood can make decisions that best suit their unique needs. **Status: Successfully failed in 2023 and reintroduced in 2024.**

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\*The Missouri Legislative Action Committee is **NOT** a Political Action Committee (PAC) and **does not** give money to legislators or legislative candidates.

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Thank you for your support!

# Planning for Today and Into the Future: Creating A Strong Financial Foundation

By: Diane White, Vice President of HOA Banking for Alliance Association Bank



An HOA is tasked with maintaining a community and protecting members' property values. To do that, just as any other business, HOA management companies and boards are charged with ensuring the good financial health of their communities so that when costly repairs or significant improvements need to be made, they have the resources in place to successfully undertake them.

To ensure an HOA is on the strongest financial footing to take care of both anticipated expenses and unexpected costs today and for years to come, creating a strong balance sheet is critical. At Alliance Association Bank, some of the counsel we share with clients looking to strengthen their balance sheet begins with relatively easy-to-undertake tasks, including:

## 1. Conducting a reserve study

As community managers, perhaps one of the single-most important roles is to ensure there is an accurate understanding of the current state of the community, an eye to potential repairs, replacements, or undertakings, as well as their cost and timing. Having an accurate lay of the land allows is the first half of conducting a reserve study. The second half puts the spotlight on the HOA's finances, specifically understanding the HOA's revenue, expenses, and reserve fund balance, which gives HOA leaders the chance to adjust as needed. Knowing this will allow the management team to build up a corresponding and appropriate cash reserve

## 2. Being mindful of liabilities

From debt and assessment delinquency to the potential downside of lawsuits and associated challenges, HOAs need to ensure they have a sound understanding of myriad financial risks and liabilities to which they are exposed. Ensuring dues are being collected, appropriate fees are being charged, professionals are tapped for their expertise and work is being done effectively by trained and qualified vendors will all help ensure that exposure to risks are low.



## 3. Ensuring accurate bookkeeping

Accurate bookkeeping is important in ensuring a financially healthy HOA. Keeping note of cash flow, money spent and how much is left at the end of the day, provides a window of transparency that provides an honest look into the state of the association, and allows leaders to plan for improvements or capital projects that need to be made. In addition to helping HOAs identify any potentially fraudulent activity among individuals who may have access to its funds, accurate bookkeeping also ensures that HOA managers can compare what they budgeted for expenses with actual expenses. This ensures a better understanding of an undertaking's actual impact on the association's bottom line.

## 4. Performing an internal audit

Like an annual check-up, an internal audit takes stock of the association's financial health. By objectively studying the association's financial statements, an internal audit

helps leadership understand its financial standing as well as find ways to improve an HOA's financial management. Ultimately, the tool not only ascertains an HOA's finances, but provides transparency to members and third parties.

## 5. Choosing a bank that knows HOAs

There's no mistaking that having access to professionals who understand the unique needs of HOAs is critical to helping fulfil its obligations. At Alliance Association Bank, our clients see first-hand the difference in the specialized approaches, tools and resources that can come from a financial institution with intimate knowledge of how HOAs operate and their associated obligations. These resources can help an HOA become a better steward of its community.

Understanding how to tackle financial challenges today to prepare for tomorrow is important to ensuring the health of a community. Once the above components are in place. Borrowing can be a source to Help Your community.

Many associations obtain loans as an alternative to imposing a special assessment or depleting reserves. The special assessment, as a stand-alone, requires homeowners to raise funds expeditiously for the planned capital project. Consequently, they must provide the funds upfront.

The primary benefit of borrowing allows homeowners to plan and budget for a smaller increase in their assessments over the life of the loan, and results in, potentially, less delinquencies for the association. Conversely, lump sum special assessments can be hard to fit into a homeowner's household budget especially in these unstable times; causing the potential for added assessment delinquencies for the association.

HOA loans and lines of credit allow associations to fund a variety of projects and expenses - from common area improvements to major maintenance and repair expenses that don't fit into a typical operating budget. Many HOAs use loans or lines of credit as alternatives to a special assessment for unexpected expenses.

Loans also help spread out the cost of common area improvements over time and assigns the cost of those improvements to the people who are benefitting from them the most. It also allows repairs and maintenance to be performed quickly, at today's prices. **CAI**



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## Earth Day and Environmentally Sustainable Communities

By: Phoebe E. Neseth, Esq.

Earth Day is a reminder of the importance of environmental conservation and sustainability, encouraging us to come together and act for a healthier planet and brighter future.

CAI is committed to and supports environmental and energy efficiency policies that recognize and respect the governance and contractual obligations of community association residents as the best mechanism to enact sustainable environmental policies. The core values of a community association lead to sustainability—good governance considers restrictive covenants, including eco-friendly practices.

CAI and the U.S. Department of Energy are dedicated to educating the community association industry—and the significant portion of the U.S. population it represents—on the many ways to increase the energy efficiency of their homes and reduce energy consumption and costs. Conservation issues also benefit from the governance process within community associations. This leads to green practices that ensure a proper appreciation, valuation, and restoration of the natural surroundings of the community and the environment.

Community association developers and leaders are increasingly embracing green thinking and design when creating and managing associations. Deed restrictions, bylaws and rules provide a basis for implementation, enforcement and maintenance of policies and projects to address community concerns.



This process provides a democratic forum for individuals in the community to collectively develop solutions to meet the needs and values of the community. Fostering a diversity of approaches provides neighborhood-level laboratories to develop a range of sustainable solutions. Such local decision-making should be respected and incentivized.

CAI aims to advocate and educate state legislatures to empower community associations to build environmental initiatives and opposes government and interest group efforts to override community policy or deed restrictions on single interest issues. CAI advocates on dozens of state and federal bills annually that create green and sustainable opportunities for community associations including solar infrastructure, electric vehicle charging stations, and other green initiatives in associations.

Together, community association leaders and elected officials can honor and celebrate our remarkable planet on Earth Day by leading these important conversations alongside each other.

Learn more about CAI's conservation and sustainability resources [here](#).


# The Chaos Inside the Corporate Transparency Act: How you can help now

By: Dawn Bauman, CAE

As of March 1, the Alabama Federal Court found the Corporate Transparency Act to be unconstitutional, and chaos ensued. Unfortunately, the court ruling doesn't apply to community associations — condominiums, housing cooperatives, and homeowners associations. According to the U.S. Department of Treasury, the only entities this court ruling applies to is the plaintiff, an individual business owner, and National Association of Small Businesses members as of the date of the court ruling.

CAI continues to advocate for an exemption from the act for all community associations and for a delay in implementation by one year. The delay will help us continue to fight for an exemption. Here are the steps CAI is taking, and what you can do to help.

1. Gain support from members of Congress
  - [Click here](#) to urge your Senator to push for a delay. In December, the House passed legislation 400-1 to delay beneficial ownership interest filing requirements for one year. A bill was introduced in the Senate, but many of the Senate Democrats do not support the delay. Contact your Senator, urge support of S. 3625, and sign a petition supporting the delay that CAI will hand deliver to your Senator.
  - CAI participates in a coalition with more than 130 organizations trying to repeal or delay the act. [Our latest letter can be found here.](#)
  - CAI's goal is to exempt community associations from the act because they are low risk for money laundering for terrorist activities. [Take two minutes to email your Senator today](#)
2. The gaining of an exemption through the Department of Treasury process continues. CAI submitted [our first request for an exemption](#) in late December. We've emailed and called Department of Treasury staff on numerous occasions without response. The College of Community Association Lawyers (CCAL) is considering another exemption request letter to the Department of Treasury.
3. CAI's College of Community Association Lawyers, an elite group of attorneys who promote the highest standards of professional and ethical responsibility in community association law, convened a small group to explore legal options and strategies for community associations. The CAI Board of Trustees approved the concept of legal action and the CCAL group is identifying potential strategies and resources.

We'll continue to update you on our advocacy efforts. In the meantime, [bookmark this webpage](#) for updates and subscribe to the [CAI Advocacy Blog](#). 

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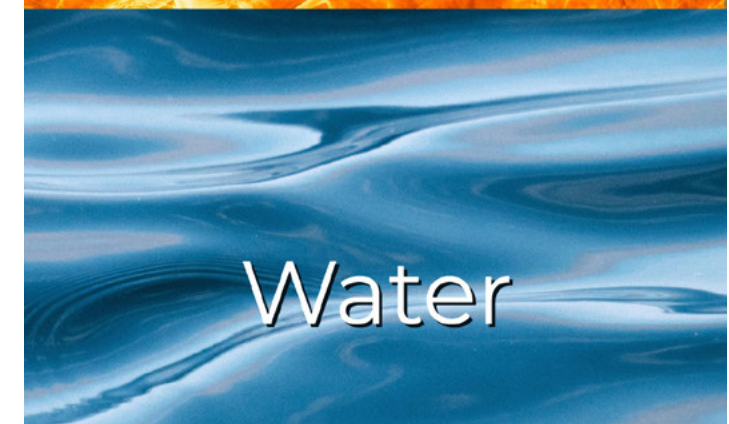


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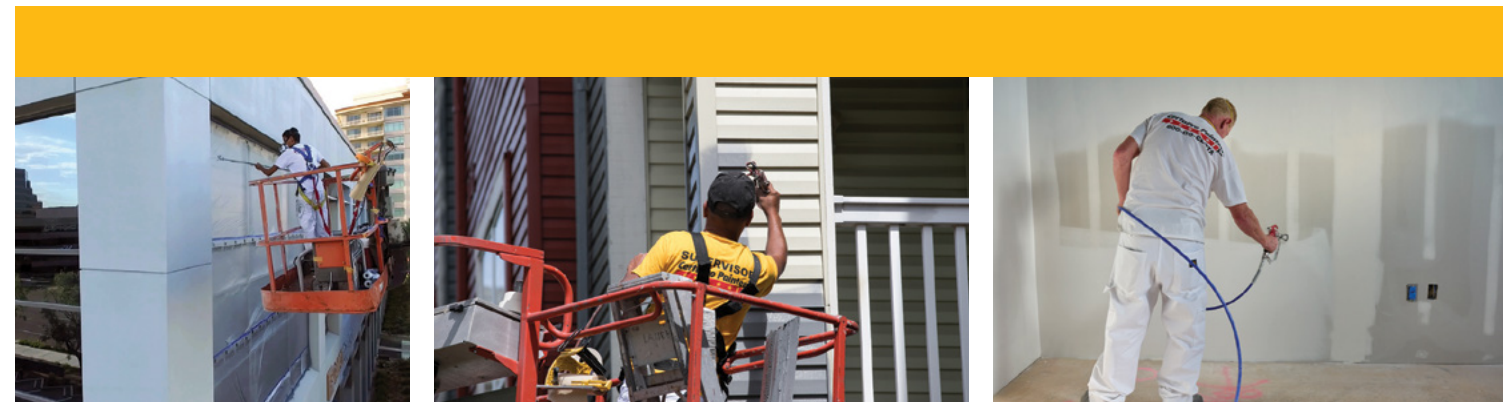
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# Artificial intelligence: How can communities safely harness the technology?

By: Dana M. Wilkie

Artificial intelligence remains an elusive concept to many, including those in community associations. That doesn't mean community association board members and managers can't learn about it. Or that they can't use it now with a little bit of forethought and determination.

Take the following examples of how artificial intelligence could make the job of a board—and the lives of homeowners—a whole lot easier.

Imagine the scenario: A pipe bursts inside an empty condominium unit and floods the building. Sensors detect the break and send instant alerts to staff that allow them to assess the flooding and push a single button to summon a trusted plumber and clean-up crew to the home.

Or take a popular device like Alexa. With a voice command during a board meeting, relevant documents display on your virtual screen. Another prompt sends a link to the document to all community residents.

"AI is the future of our industry because it keeps costs down, allows the management company to stay competitive from a pricing standpoint, and helps the manager recruit talent because the jobs are more rewarding," says Cat Carmichael, PCAM, with Strategy 1 2 3 in Broomfield, Colo.

For community associations, artificial intelligence can help with gathering, consolidating, and interpreting information, says Nicholas Bartzen, a community association attorney with Bartzen Rosenlund Kasten in Chicago. "If it helps managers do their jobs more efficiently, and helps [boards collect necessary information](#) more cost effectively, then AI should be a tool in the toolbox of each community association," he says.

Embracing AI makes sense for community associations despite the barriers, says Carmichael, a past CAI president. "The key to making bots work is having a robust database that the software can search and provide an answer. This is one of our industry's weaknesses now."

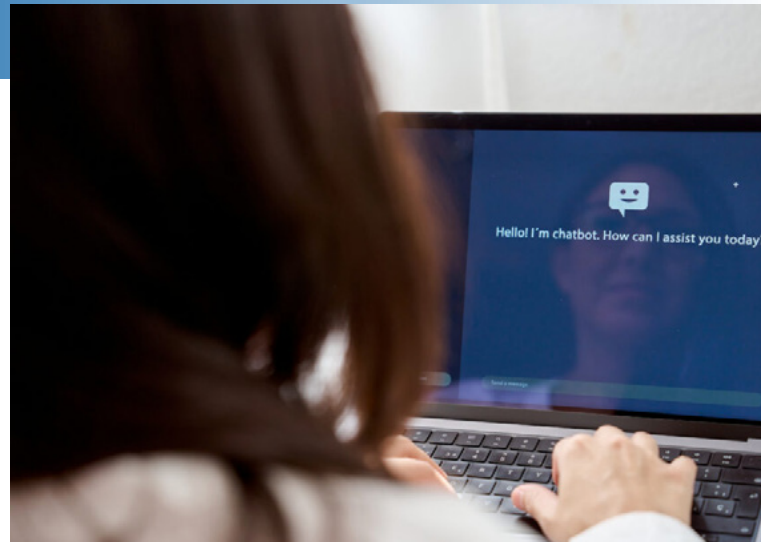
Still, community association professionals and leaders worry AI interferes with an essential element of the industry—[building community](#).

Homeowners might use AI to promote false ideas among association members and taint trust in boards and managers, says Jeff Westendorf, a community manager in West Des Moines, Iowa.

Janet Newcomb, president of Springhurst Townhomes Homeowners Association in Huntington Beach, Calif., and a past chair of the CAI Homeowner Leaders Council, worries relying too much on AI may do a disservice to the community. "I worry a lot about accuracy of response, customer frustration, and the possibilities of increased conflict generated by such a system," she says.

A lack of understanding about AI and its long-term effects can have a powerful impact. "As an insurance and risk management professional, AI scares me," says Joel Meskin, CIRMS, an attorney and managing director of community association products at The McGowan Companies in Fairview Park, Ohio.

Using AI in community association law is another sticky area, according to Scott D. Weiss, an attorney with Kaman



& Cusimano in Nashville, Tenn. If a board uses AI to compose amendments, fine policies, board resolutions, and other legal documents, Weiss wonders if AI will recognize restrictions that federal, state, and local laws placed on the language in its documents.

Boards also must consider practical governance issues surrounding AI. Mitchell Drimmer, president of Axela Technologies in Miami, believes "An AI policy should establish guidelines for implementing and managing AI technologies within the community, fostering trust, and minimizing potential risks."

Drimmer urges boards to review and understand the purpose and goals of AI for their community and consider issues such as informed consent, data security, and procedures for addressing bias and discrimination. Policies should be reviewed and updated periodically as technology improves and goals change, he adds.

Despite the uncertainty, it's clear that boards and managers will have to acknowledge—if not embrace—AI technology going forward.

>>Read more about artificial intelligence in community associations in "[2024: An AI Odyssey](#)" from *Common Ground* March April 2024. [CAI](#)



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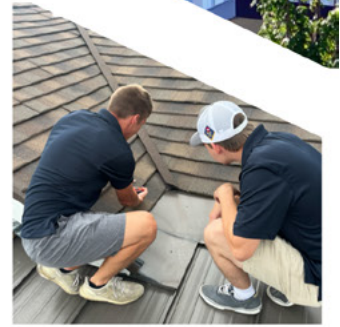


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FirstService Residential Missouri	Ms. Shannon Pulse, CMCA
FirstService Residential Missouri	Ms. Vee Thomas
FirstService Residential Missouri	Mr. Casey Tillman
Gas Appliance Service of Missouri LLC	Mr. Anthony Hoy
Greystone Condominium Association	Ms. Jill Stone
Keeley Construction	Jillian Elizabeth Le
Kenrick Parke Condominium Association	Ms. Jane Wisniewski
Lake Sherwood Estates Association	Mr. Dave Parker
Landmark aquatic	Mr. Joshua Berry
Landmark Commercial Property Management	Ms. Ashley Ann George, CMCA
Midwest Pool Management	Ms. Crissy Withrow
Pinehurst Place	Ms. Marian McCreary
Pinnacle Financial Partners	Mr. Michael Roche, AMS, PCAM
Property Management Professionals	Mr. Blake Hohensee
Rodemyer Christel, Inc.	Mrs. Natalie Jean Ventimiglia, CMCA
RowCal	Mr. David Schwendeman II
Smithton Crossing Condominium	Ms. Joan Donohue
Smithton Crossing Condominium	Mrs. Edith Hickman
Smithton Crossing Condominium	Mr. Richard Stilley
Styron & Shilling	Mr. Harry Styron
Sugarwood Condos	Melissa Craig
Summer Place on the Lake Homeowners Association	Ms. Carol Day
Summer Place on the Lake Homeowners Association	Ms. Kathy Landrum
Summer Place on the Lake Homeowners Association	Mr. Doug Lapham
Summer Place on the Lake Homeowners Association	Mr. Mark Mertens
Summer Place on the Lake Homeowners Association	Mr. Ron Valentine
The Georgian Condominiums HOA	Mr. Paul Hof
The Georgian Condominiums HOA	Ms. Sarah Lohmeyer
The Inspectors of Election, LLC	Mr. Kurtis Peterson
The McGowan Companies	Mr. Joel W. Meskin, Esq., CIRMS
The Smith Management Group	Ms. Dianna Adams
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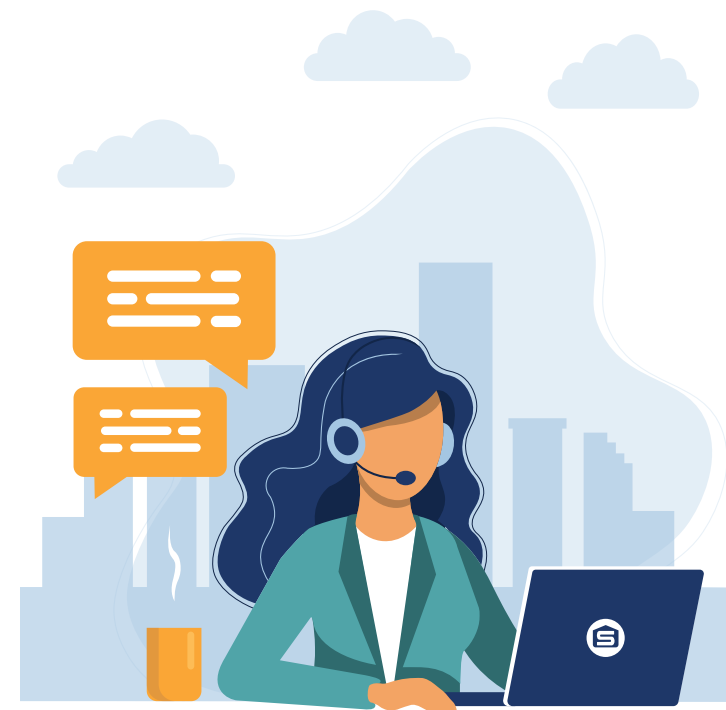
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