

RESERVES AND INSURANCE FOR COMMUNITY ASSOCIATIONS

(APPROVAL # 96252301)

CORRESPONDENCE COURSE

8-Hours of Continuing Education Credit



Gray Systems Incorporated
LEADING PROFESSIONAL EDUCATION PROGRAMS

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The Department of Business and Professional Regulation approved the subject matter covered in this course. Gray Systems, Incorporated, is an approved provider (Provider Number 0000815) of continuing education courses, and this course **Reserves and Insurance for Community Associations** (Approval Number 96252301), is approved for eight hours of continuing education credit.

Gray Systems, Incorporated is an educational organization and this course is designed to provide accurate and authoritative information in regard to the subject matter covered. This material and course is provided with the understanding that the provider is not engaged in rendering legal, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

INSTRUCTIONS FOR COMPLETING THIS CORRESPONDENCE COURSE

1. The following items are included in your correspondence course package:
 - a. The course manual.
 - b. A 20-question course examination
 - c. An answer sheet for the end of course examination.
2. Read and study the student manual carefully. You should direct your efforts at understanding in depth those items covered in the summary of the changes to the law and the rules as well as actually reading the changes in the law and the rules. The examination will require you to answer questions taken from the summary, the rules, and the law.
3. After reading and studying the student manual, you are ready to complete the end of course examination
4. First, complete the section on personal information on the answer sheet in its entirety. **DO NOT** omit any of the personal information requested. Failure to provide the personal information requested may result in a delay in receiving your certificate of completion for this course.
5. Read the examination and complete the answer sheet, marking your choice of answers from the multiple-choice questions directly in the space indicated on the answer sheet. There is no need to mark your answers in the examination booklet.
6. Upon completion of the examination, mail to Gray Systems, Inc. PO Box 125, Howey-in-the-Hills, FL 34737, fax to 352.324.1667 or email to gsi@graysystems.com.
7. Successful completion of the end of course examination requires that you answer 75% of the questions correctly. There are 20 questions on the examination; you must answer 15 correctly. Your certificate of completion of the course will be mailed to you within 10 days of receipt of the material by our office. Please note that this time period applies only when the materials are properly completed. Failure to properly complete the personal information requested on the answer sheet may cause delays in processing your course certificate of completion.

8. What happens if you should NOT pass the end of course examination?
- a. In the unlikely event you fail the end of course examination, we will send you a notice of unsuccessful completion and a second examination covering the material in your course with an invoice for \$8.00 to cover the re-examination.
 - b. You have the option of completing the second examination and returning it to us for grading.
 - c. If you select this option, the invoice for \$8 for shipping and handling must be paid if you return the examination. If the invoiced amount is not paid, the second examination will not be processed.
 - d. If you do not desire to complete the second examination, you may attend any of our classroom courses covering the same material and receive a credit of 50% of the tuition paid for the correspondence course toward the tuition for the classroom course. (Note: The classroom course does not require you to pass an examination in order to receive credit for continuing education.)
 - e. A student may take no more than 2 re-examinations for a single correspondence course.
 - f. No credit for the shipping and handling charges for re-examinations may be applied toward any tuition for a classroom course.

Any student failing three successive correspondence course final examinations for the same course will not be allowed to attempt any more examinations for that course. However, we welcome you to receive continuing education credit from our organization for that course by attending the classroom course for that material under the tuition policy stated above.

**RESERVES AND INSURANCE
FOR COMMUNITY ASSOCIATIONS
(GSI-96252301)**

CORRESPONDENCE COURSE

END OF COURSE EXAMINATION (A)

INSTRUCTIONS: Read each question carefully. Select one correct answer for each question. There is only one answer that is the best answer. Selecting more than one answer will result in the question being counted as incorrect. Failure to select an answer will result in the question being counted as incorrect.

Mark your answer on the enclosed answer sheet. You may mark the examination as well; however, only the answer sheet will be graded. The passing score is 75% correct or 15 correct out of the 20 questions.

1. The management responsibility of a community association assumes the association will take proper steps in implementing a plan to accommodate the future needs of the association though:
 - a. the concept of waiting until the need arises and then funding the expense.
 - b. the process of providing a budget that plans for all of the future needs of the association.
 - c. a process of only planning to fund expenditures that exceed the available excess cash on hand.
 - d. a process of assessing only the owners affected by the replacement or maintenance expense when the need arises.

2. The sources of information regarding the responsibility for maintenance and replacement of the common property include:
 - a. the documents creating the community association.
 - b. the statutes governing the community association.
 - c. a resolution adopted by the board with guidance from the association attorney and other expert advisor.
 - d. all of the above.

3. For condominium, cooperative and homeowners' associations, the vote required to waive reserves is:
 - a. a majority of the board.
 - b. a majority of the entire membership.
 - c. two-thirds of the entire membership.
 - d. a majority of those present at a meeting of the membership where a quorum is present.

4. The funding of reserves is calculated using a formula:
 - a. devised by the board to minimize the annual contribution needed.
 - b. that is based upon estimated remaining useful life and estimated replacement cost or deferred maintenance expense of each reserve item.
 - c. that is mandated by the National Society of Reserve Analysts.
 - d. that is based on assets with a useful life of greater than 20 years.

5. For condominiums, cooperatives and homeowners' associations, interest earned on the reserve fund investments shall:
 - a. be held in a separate fund for emergency use.
 - b. remain in the reserve account for authorized reserve expenditures.
 - c. only be allocated to the contingency.
 - d. be allocated to the operating fund as determined by the board.

6. If the members of a condominium, cooperative or homeowners' association vote to waive reserves or to fund reserves in less than adequate amounts:
 - a. the vote is effective until the board decides to fully fund the reserves.
 - b. the amounts determined by the vote, if less than adequate, may only be spent on general operating expenses.
 - c. the vote is effective for only one budget year.
 - d. the vote must be ratified by the board in order for it to be effective.

7. Reserves that have been previously collected in a timeshare property may be used for purposes other than originally collected when:
 - a. approved by a majority of the entire membership.
 - b. approved by two thirds of the entire membership.
 - c. the board of directors acting as the managing entity votes to reallocate reserves from one reserve account to another reserve account.
 - d. the licensed community association manager deems the transfer necessary,

8. Deferred maintenance means:
 - a. any maintenance expense that occurs on an annual basis.
 - b. any maintenance expense which occurs less frequently than annually.
 - c. an expense the board decides to incur more than five years in the future.
 - d. an expenditure which exceeds the limit placed on the amounts the manager may spend.

9. Reserves must be funded:
 - a. when the board feels that sufficient excess monies are on hand.
 - b. at least in the same frequency that assessments are due from the unit owners.
 - c. when the money is received from the unit owners.
 - d. no later than December 31 of each year.

10. In completing reserve studies, professionals who perform valuations tend not to look beyond a life of:
 - a. 100 years.
 - b. 5 years.
 - c. 30 years.
 - d. 50 years.

11. The simplest and probably most accurate method of calculating reserves is the:
 - a. straight-line method.
 - b. sinking fund method.
 - c. engineer suggested replacement method.
 - d. Bureau of Condominium's mandated method.

12. One of the advantages of using the pooling method of calculating the reserve assessments is that:
 - a. the monies may only be used to provide for swimming pool maintenance and repair.
 - b. the method of calculation provides for the needs of the operating expenses and the long term maintenance needs.
 - c. the monies collected in pooled accounts can be used for any item of capital expenditure or deferred maintenance making up the entire pooled analysis.
 - d. the board may transfer the money in the pooled accounts to the operating fund at any time without membership approval.

13. A major disadvantage of filing a federal income tax return under Section 528 of the Internal Revenue Code is:
 - a. that this form results in more audits than the alternative form.
 - b. that the taxable income will be taxed at a flat thirty percent rate.
 - c. that Section 528 requirements specify that only cooperatives may use this option.
 - d. that the filing under Section 528 is an election that must be adhered to for the life of the association.

14. Which of the following would not be useful in determining the extent of the insurable interest for a community association?
 - a. The community documents.
 - b. The governing statute, if any.
 - c. Prudent business judgment.
 - d. The desires of the unit owners.

15. The basic responsibility of the board of directors with regard to insurance is to:
 - a. make every effort possible to ensure that the owners have enough insurance collectively to protect the total property.
 - b. provide adequate insurance to protect the common property.
 - c. require management to propose alternatives to full insurance coverage.
 - d. review each owner's personal insurance coverage.

16. When determining the limits of the insurance coverage for a policy on the structure, the board should rely on:
 - a. an appraisal of the property by a qualified appraiser.
 - b. the consensus of value agreed upon by the board.
 - c. the amount recommended by the insurance agent.
 - d. the value provided by the developer.

17. The type of insurance that is sometimes referred to as all risk insurance is properly called:
 - a. named perils insurance.
 - b. specific cause of loss or open perils coverage.
 - c. no exclusions coverage.
 - d. limited exclusions coverage.

18. Where the association may be providing insurance on older properties that may need upgrades to comply with current building code in the event of partial destruction, the association may want to consider:
 - a. letting the insurance on those buildings lapse.
 - b. purchasing insurance that provides operation of building laws coverage.
 - c. converting older buildings to storage in the event of significant damage.
 - d. acquiring upgrade liability insurance.

19. Workers' compensation insurance is required:
 - a. to be provided by all employers.
 - b. for all employers not in the construction trade when the employer employs four or more employees.
 - c. to be a benefit for all volunteer workers.
 - d. when the employer has a payroll of more than \$100,000.

20. In order to implement a self insurance program, a community association regulated by chapters 718, 719 or 720, Florida Statutes :
 - a. must comply with the provisions of Chapter 624, F.S. regarding self insurance programs.
 - b. must apply to the Department of Business and Professional Regulation for the authority to proceed with a vote of the membership to create a self insurance program.
 - c. must receive authority from the entire membership to apply to become an insurance company.
 - d. must comply with the requirements for registering as a full service insurance company offering full lines of coverage to any property owner in Florida.

**Reserves and Insurance
for Community Associations
END OF COURSE EXAMINATION A
ANSWER SHEET**

INSTRUCTIONS: Complete this section on personal information in its entirety. **DO NOT** leave any of your personal information spaces blank. Failure to fill out the personal information requested may result in a delay in receiving your certificate of completion for this course. **PLEASE PRINT.**

LICENSE #	LAST NAME	FIRST NAME	MI
ADDRESS			
CITY		STATE	ZIP CODE
TELEPHONE		FAX	E-MAIL ADDRESS

INSTRUCTIONS: Read the examination and complete the answer sheet below, **CLEARLY CIRCLE** your choice of answers from the multiple choice questions directly in the space indicated on the answer sheet.

- | | |
|--|---|
| <p>1. A B C D</p> <p>2. A B C D</p> <p>3. A B C D</p> <p>4. A B C D</p> <p>5. A B C D</p> <p>6. A B C D</p> <p>7. A B C D</p> <p>8. A B C D</p> <p>9. A B C D</p> <p>10. A B C D</p> | <p>11. A B C D</p> <p>12. A B C D</p> <p>13. A B C D</p> <p>14. A B C D</p> <p>15. A B C D</p> <p>16. A B C D</p> <p>17. A B C D</p> <p>18. A B C D</p> <p>19. A B C D</p> <p>20. A B C D</p> |
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I HAVE COMPLETED THIS EXAMINATION ANSWER SHEET WITHOUT THE AID OF ANY OTHER PERSON.

SIGNATURE	DATE
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MAILING INSTRUCTIONS: Upon completion of the examination, mail to Gray Systems, Inc. PO Box 125, Howey-in-the-Hills, FL 34737, fax to 352.324.1667 or email to gsi@graysystems.com.