

SUBJECT LINE: FIRE INSURANCE -- SPECIAL ASSESSMENT
NECESSARY

All Owners,

On March 14, 2023, the Board received proposals for the renewal of its fire and other insurance, which renew on March 22, 2023, **totaling \$1,493,366.** The Board has been seeking insurance proposals since December of last year. Fire insurance continues to be the problem. Our insurance broker only obtained a proposal for the last portion of the fire insurance on the 14th. The Board immediately met in an Emergency Board Meeting the same day to deal with the problem.

The Association budgeted \$844.850 for insurance in the budget provided to Owners on December 1, 2022, as required by law. To achieve this amount the Association raised its monthly assessment the maximum 20% and increased its fees for special services. **The Association had no way to determine as of December 1, 2022, what the cost of insurance would be in March 2023.** To cover additional premium cost, the Association will need a special assessment.

The Board has no discretion with regard to the amount of fire insurance. The Association must have fire insurance in place for the full replacement value of all of the buildings, currently estimated at \$85,000,000. This is mandated in the Restated CC&Rs Section 9.01 and by lenders. The Association's fire insurance underlies every mortgage held by Owners. Without fire insurance in place, mortgage loans can be called. Lenders have already begun requesting proof of insurance for the upcoming policy period.

Attached are the Minutes of the Emergency Meeting together with the material the Board considered in reaching its decision.

The Board approved the following Special Assessment:

185 Class I Owners--\$3500 payable \$390 per month starting April 2023 for nine months, provided if paid in full by April 30, 2023, a 5% discount applies requiring a payment of \$3325.

6 Class III Owners--\$1300 payable \$145 per month starting April 2023 for nine months, provided if paid in full by April 30, 2023, a 5% discount applies requiring a payment of \$1235.

Owners will be separately invoiced.

Similar to 2022-2023, fire insurance for 2023-2024 will be provided primarily by carriers out of London. Efforts were made to obtain a proposal from a second broker. The second broker was unable to come up with a proposal. Bob Hessler, the Association's insurance broker, did a magnificent job of putting together a proposal. The Board is aware of situations where fire insurance is unavailable and where premium increases exceeded 25% . Our insurance increased 13% of which 3% was due to the increase in the replacement cost of the buildings due to inflation.

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