

3/22/2022

HUGE INCREASE IN THE COST OF FIRE INSURANCE MAKES A SPECIAL ASSESSMENT NECESSARY

All Owners,

On March 17, 2022, the Board received proposals for the renewal of its fire and other insurance, which renew on March 22, 2022, **reflecting an unprecedented 162% increase in premiums for fire insurance from \$482,494 last year to \$1,262,482.** Over the prior ten years the annual increase has averaged 11%.

On March 20, 2022, the Board met in an Emergency Board Meeting to deal with the problem. The Board approved the following Special Assessments:

185 Class I Owners--\$4050 payable \$450 per month starting April 2022 for nine months, provided if paid in full by April 30, 2022, a 5% discount applies requiring a payment of \$3848.

6 Class III Owners--\$1500 payable \$167 per month starting April 2022 for nine months, provided if paid in full by April 30, 2022, a 5% discount applies requiring a payment of \$1425.

Owners will be separately invoiced.

The Association is lucky to be able to obtain insurance. Hamilton Cove has the worst possible fire rating. It is in a brush area served by inadequate fire departments. The tremendous jump in premiums reflects the spate of wildfires that have occurred not just in California, world conditions and fears that the current drought will make wildfires more devastating. Many of the carriers who insured the Association in the past pulled out of the market. Fire insurance for 2022-2023 will be provided primarily by carriers out of London. Bob Hessler, the Association's insurance broker, did a magnificent job of putting together a proposal, reaching out to fifty seven carriers and intermediate brokers starting at the end of last year.

The Association is not alone. The fire insurance on my home in Pacific Palisades came due December 1st. Chubb who insured my home for 15 years pulled out of the market. I was unable to find a carrier who would

quote. I ended up with \$3,000,000 in coverage through the California Fair Plan. Others have had the same experience. A twenty four unit condominium complex in Avalon saw its fire insurance increase 450% from what it was in 2019. I have been told of instances where condominium developments have been unable to obtain fire insurance.

The Association must have fire insurance in place for the full replacement value of all of the buildings, currently estimated at \$82,000,000. This is directed in Restated CC&Rs Section 9.01. 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 including the Marketing Spreadsheet. This will provide anyone interested in the gory details.

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