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**Tackling the Rise in
HOA Insurance Costs**



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Presenters

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HOW DID WE GET HERE?

- Three years in the making
 - Impact of fire losses
 - Impact of water losses
 - Impact of D & O claims



HOW DID WE GET HERE? (CONTINUED)

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- Types/Coverages of Insurance for HOA
 - What's required?
 - Civil Code Sections 5800 & 5805
 - Governing Documents Requirements
 - Coverage limits
 - D & O Minimum Coverage
 - Perils Covered/not covered



IMPACT OF REINSURANCE COMPANIES

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- Rates/treaties
- Limiting types of portfolios/coverage
- Hard/soft insurance market



INFLATIONARY PRESSURE

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- Costs of Construction, Employment, etc.
- Pressure for proper property valuation



SUPPLY AND DEMAND

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- Supply not keeping pace for high demand
- Carriers leaving market (including Umbrella)
- More D & O Lawsuits
- Admitted/Non-admitted carriers

- Wildfires/Firelines
- Claims History
 - Tender Claims
- Deferred Maintenance
- Ingress/Egress



HOA BUDGETING CONCERNS

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- Increase Regular Assessments
 - Civil Code Requirements Review
- Special assess? Borrow from Reserves?
 - Civil Code Requirements Review
- Emergency Special Assessments?
 - Civil Code Requirements Review
- Renewing at less than 100% replacement cost
 - Governing Document Requirements

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BREAK



WORK WITH INSURANCE EXPERTS

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- Specialists who understand HOAs
- Maintenance Requirements vs. Insurance Policies
- Fire mapping – is there an alternative?
- Risk Management
 - Reserve Studies
 - Current Budget
 - Funds (or Lack thereof)



WORK WITH INSURANCE EXPERTS (CONTINUED)

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- Timeline for Renewals
 - Trends for Budget Purposes
- Bare Wall Policies (Walls In or Out)
- Review deductibles
 - Pros/Cons of Changing Deductible



WORK WITH LEGAL COUNSEL

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- Ensure Board/HOA complies per CC&Rs (100% coverage)
- Amend/Spot-amend CC&Rs
 - Super-majority approval?
 - Lender approval?
 - Petition to court?
- Amend CC&Rs vs Rule Change
- Check language regarding HO6 policies



WORK WITH LEGAL COUNSEL (CONTINUED)

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- Discuss liability with board for underinsuring HOA
 - Lapse in Coverage, Non-renewal
 - Impact ability for new home loans
- Review Claims Procedures – who can file claim
 - Amend CC&Rs/Policies on Handling Claims
- Create prohibitions/restrictions
 - No BBQs
 - Chimney Sweep cleaning
 - Require vacant owners to check units
 - Zinsco Panels



MANAGER ROLE

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- Communicate to Board – use experts!
- Use Claim Form
 - Charge for Processing Claims?
- Address deferred maintenance
 - Electrical panels/phone wires
 - Review reserve studies
 - Rezoned High Fire-Line Communities
- Brush Clearance
- Fire Sprinkler Inspections/Certifications
- Budget accordingly
- Require Insurance Cert from Homeowners

WHAT DOES THE FUTURE HOLD?

THANK YOU

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ATTENDEES