

2022/23 Year in Review

Insurance Issues in Condo Land

Presented by:

Surita Savio

Insurance Associates, Inc.

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Year Built	Oahu	Share of Total	
1950s	56	7%	<p>More than 90% of Oahu condos were built before 1990</p>
1960s	245	30%	
1970s	331	41%	
1980s	103	13%	
1990s	52	6%	
2000s	1	0%	
2010s	18	2%	
Total	806	100%	

Issues

- **Property – Hurricane Capacity**
- **Sprinkler/Pipes**
- **Umbrella**
- **Directors & Officers**
- **Flood**
- **HO6**

Property – Loss Creep

- Insurance companies charge prices today that they anticipate will pay for future claims.
- Inflation plus the pandemic and lack of goods, supply chain interruptions, labor shortages, rising cost of construction and materials
- **Results...claims that cost more than initially anticipated.**

Tighter Underwriting

- Less capacity to mitigate growing losses coupled with increased rates
- No new companies entering the Hawaii market.
 - Small market
 - Poor loss ratio for existing condo companies
 - Non-sprinklered buildings
 - Old buildings

Why Tighter Underwriting?

- Of the 50 largest reinsurance groups 24 of them have loss ratios over 100%.
- 2021 2nd most costly year ever for insurers
- \$141B paid out in America
- Hawaii is a Hurricane state.

Hurricane

- Capacity tight – running out for Oahu
- Ian – estimated insured losses \$60B
- Hawaii is a hurricane state-increases range from 30 -100%
- Sub-limit – Fannie/Freddie
- Captive, Legislature, SOH

Sprinklers

- Owner must vote yes or no.
- Cost was \$5.2M for **Marco Polo**:
 - Today cost \$7-8M
 - Took over 4 years to complete including design work.
- Insurance companies keeping what they have but will not bid on any building that is not sprinklered.
- Umbrella, D&O and GL rates up for non sprinklered buildings

Sprinklers

- Sprinklers save lives, water and insurance premium increases
- Sprinklers cost more than doing the LSE
- Matter of time before sprinklers will be required even if condos pass the LSE now

Umbrella Coverage

- Hotel shooting in Vegas - \$751M
- Florida Condo Collapse - \$1.1B
- Marco Polo fire \$25M

Directors & Officers Coverage

Hawai'i problem

- Non-Judicial Foreclosures
 - 88 cases for our agency
 - Courts ruled against the AOUO
- Results:
 - Increased premium/increased deductibles
 - Most D&O carriers excluding foreclosure actions.
- Several companies left Hawaii

Flood

- Rates have predominantly been based on the structure's Flood Zone, Elevation, Foundation type, and Year Built.
- **Risk Rating 2.0:** New rating methodology considers the risk of storm surge, coastal erosion, replacement cost value, distance to ocean, year built, foundation type, and more.
- 18% increase until your full risk rate . About 13% of buildings will see a reduction.
- Grandfathering gone

HO6

- Policy every owner should have
- Compliments the master policy
- Premium increasing due to claims
- Covers the deductible
- Many carriers non renewing or limiting
- Bad building list

Hurricane Quote

Property Location: 383 Kalaimoku St Honolulu, HI 96815

<u>Coverage Type</u>	<u>Policy Coverages & Limits Requested</u>	<u>Deductible</u>
Building Property	\$300,000	\$6,000
Loss of Use	\$50,000	\$1,000
Loss Assessment	\$50,000	\$1,000
Personal Property Replacement Cost - Included		
Deductible	2% subject to a Minimum Deductible of \$2,000	
Total Annual Premium	\$284.92	
Surplus Contribution	\$14.25	
Policy Fee	\$50.00	
TOTAL ANNUAL PREMIUM (incl. \$50 policy fee)	\$349.17	
<u>Optional Deductibles Available:</u>	<u>1%</u>	<u>3%</u>
Revised Annual Premium	\$394.04	\$304.29

Purchasing this policy is easy. Simply contact the Producer listed above if you have any questions or would like to arrange for coverage. No down-payment is required. Your policy and invoice will be mailed to you. We offer a variety of flexible payment plans including installment and credit card options.

Conclusion

- Insurance costs are on the rise
- Claims world-wide affect us
- Liability issues are a huge concern
- Capacity down including hurricane
- Values up
- Reinsurance rates up
- Maintenance fees up

- In short—*Condo Land is in Turmoil*