Homeowners Insurance Informational Meeting
In-Person/Zoom combination
3/21/23

Cottages represented: #101, #105, #107, #109, #113, #114, #115, #119, #120, #125, #126, #142 (6 in person and 6 via zoom)

Others attending: Danielle, Property Manager and Mark McDonald, Coastal Plains Insurance

Location: Administration Building Conference Room

The meeting started at 11:30AM. Tom Finnie, the co-chair of the Disaster Preparedness Committee chartered by the SMC Board of Directors welcomed everyone, explained the rationale for the meeting, and thanked people who helped pull the meeting together. The meeting was turned over to Mark McDonald, the regime's insurance broker.

Regime Insurance policy: Mark first reviewed the state of the overall insurance market in SC. He noted that many companies pulled out of the condo market and, for those staying in the market, their rates are escalating dramatically. He noted that some condo properties on Hilton Head and in Bluffton are having difficulty finding any carriers willing to insure them.

The SMC hazard policy renews May 1, 2023, and must be paid immediately to lock in the quote. Mark is an independent broker and has feelers out to many companies. Unlike other properties in Hilton Head and locally, he thinks Salt Marsh Cottages have a good chance to be picked up because we are in Bluffton, as opposed to Hilton Head, we are relatively small (about $10M), are primarily owner-occupied so that issues would be discovered quickly, and the cottages have newer roof replacement (done in 2013). These are all "favorable" when an insurance company is looking to insure a client.

He has no idea what our regime premium will be, but he knows it will increase substantially. His guestimate is that it will increase in the renewal from the current $60K premium to $75-$80K (best case scenario), or a high of $150K (worst case scenario). The current 2023 regime fees reflect the "best case scenario" guestimate. Mark said that insurance markets correct themselves typically every 1-2 years.

Our wind deductible is increasing from 1%-5%. He noted that Bluffton is not eligible for the state's "wind pool", but he has a company where he can buy down our wind deductible at a cost. The board will have to consider this when the actual quote comes in. The good news is that there has been very little change in the flood insurance premium. The premium decreased a few years ago and has stayed about the same. Flood premiums have already been paid, and the Casualty premiums are in the works. The hazard/property is what is most volatile, and which is renewing soon. Mark expects a verbal renewal quote from companies agreeing to insure the regime April 1 and official quote by April 15. The board must be ready to act quickly before any company has a chance to withdraw their quote.

- **Mark suggested that the board consider having a line of credit in place that can be used for disasters/emergencies**. This allows the HOA to start the rebuilding processes quickly, and then get reimbursed by our insurance companies. Waiting to start until the insurance companies pay only delays the process. Fortunately, we have long maintained a $100,000 Line of Credit for this exact purpose, among others.

- **A question was proposed about how the deductible is handled in our master deed** in the case of only damage to one or two units or pods; is it a "common" (i.e., paid only by the affected owners) or "shared" cost (i.e., spread among all 42 owners? This question will be posed to our attorney to get his official opinion, and the Opinion will be filed with our Disaster Preparedness Documents.

H06 Policy

The regime has an "All-in" hazard policy---this means that **the regime's insurance will build back to original standards, including providing an AC, windows, doors, an allowance for basic appliances, etc**. Thus, there is no need to figure in these costs when determining how much is needed in Dwelling and Personal Property. The regime policy does NOT cover improvements or personal contents.

The Master Deed states that owners "shall" have insurance to cover personal property, upgrades/betterments (which typically refer to flooring, countertops, and appliances), and liability. **The board will ask our lawyer to interpret the master deed and determine if owners have the option to "self-insure"** (if they don't have a mortgage), or if the master deed requires that each cottage carry an H06 policy.

Mark pointed out that owners are responsible for deductibles incurred by the regime's master policy. With the change in the wind/hail deductible, plus a flood deductible, this could be substantial. Owners would also be responsible for any special assessments necessary to cover insufficient insurance coverage to build back to code, for example. H06 policies frequently cover this under Loss Assessment. Some take-home points he made are:

- Buy as much **Loss Assessment** as allowed in your H06 policy.

- Be sure you have adequate **Loss of Use** coverage if the cottage is a primary residence.

- Look at the **Exclusions section of your policy** to see what else should be added to the endorsements section.

Mark also suggested that the regime get a copy of each owner's H06 policy annually so, in the case of a disaster, the board would know immediately which units are covered by which carriers. This has the benefit of requesting a single adjuster for multiple properties to save time and would expedite the coordination between the regime's policy and an individual H06 policy.

Finally, Mark reviewed the practicality of working with an adjuster from the regime and from the H06 company and how a hypothetical situation might be handled.

The meeting was adjourned at 12:50PM.