



January 29, 2025

UNIT OWNER TOWN HALL

TAMARRON ASSOCIATION OF CONDOMINIUM OWNERS

THE USI ONE ADVANTAGE®
Shadia S. Ahmad, CIC, CPIA | Kyle den Daas



CONFIDENTIAL AND PROPRIETARY: This presentation and the information contained herein is confidential and proprietary information of USI Insurance Services, LLC ("USI"). Recipient agrees not to copy, reproduce or distribute this document, in whole or in part, without the prior written consent of USI. Estimates are illustrative given data limitation, may not be cumulative and are subject to change based on carrier underwriting. © 2014-2020 USI Insurance Services. All rights reserved.



Tamarron Association of Condominium Owners

Today's Agenda

- Introduction to USI Insurance and Team
- High level look at 'State of the Market'
- Goals for 2024/2025 Renewal Marketing
- Property Program Review
- Future of Property Insurance
- Loss Assessment & Recommendations
- Q&A

Executive Summary

Community Insurance Renewal Changes & Loss Assessment



Why is it Important

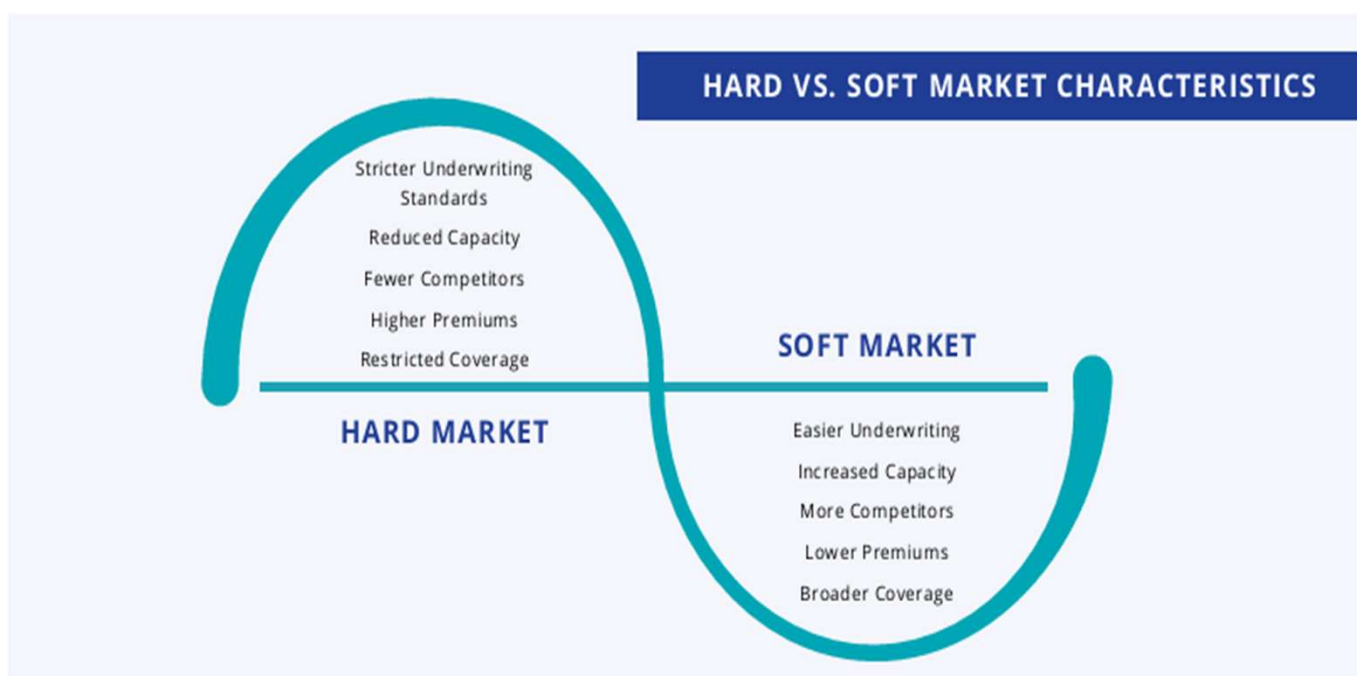
- Understanding the changes to renewals and how it is unique.
- Navigating hardest market on record when faced with various challenges from carriers.
- Deductible structure and potential impact to individual unit owners by way of Loss Assessment(s).



Impact to Owners

- It will be important to have a conversation with your personal homeowner's insurance agent to discuss HOA coverage and to make sure your HO-6 owners policy will respond correctly in the event of a loss.
- USI recommends increasing loss assessment coverage to accommodate potential impact.

State of the Colorado Property Insurance Market



Storm/Claims Trends

- Catastrophe claims represented **46% of claims** across all perils combined in 2023, the **highest in seven years**.
- Hail loss cost increased **57.9% since 2022**, along with **frequency (up 53.6%)** and **severity rising 2.8% year over year from 2022**. States with the highest impact of hail-related perils include Colorado, Nebraska and Wyoming.
- Colorado ranks highest in loss cost from catastrophic claims (274% above 2023 U.S. average catastrophic loss cost), while the severity of claims (dollars lost, on average, per claim paid) in Hawaii was well above any other U.S. state in 2023 (63% above 2023 U.S. average severity).
- In 2023, the U.S. experienced 6,962 hail events, up 57.3% from 2022, with 71% of hail claims deemed catastrophic.
- With 28 weather and climate disasters in 2023, each surpassing the billion-dollar damage threshold, 17 were attributed to severe weather or hail events.



Marketplace Response

- Underwriting has become stricter, and capacity has been dramatically limited
- Insurance costs have risen across the board for all types of property
- Fewer options
- Standard v. Excess & Surplus Marketplace
 - Standard carriers are regulated by the Department of Insurance, who reviews their rates, forms and financial standing. Due to regulation, they are more restrictive in classes of business they are willing to insure.
 - E&S markets are not regulated by DOI. They take on “riskier” classes of business and have more underwriting capability. As such, their rates are higher than standard carriers and coverage forms are not uniform.
- TACO is vastly different than the metro Denver marketplace associations

TACO Goals for 2024/2025 Renewal

TACO Board of Directors and Insurance Committee started this process early. They exercised a high degree of due diligence and clarity of objectives on behalf of the Association.

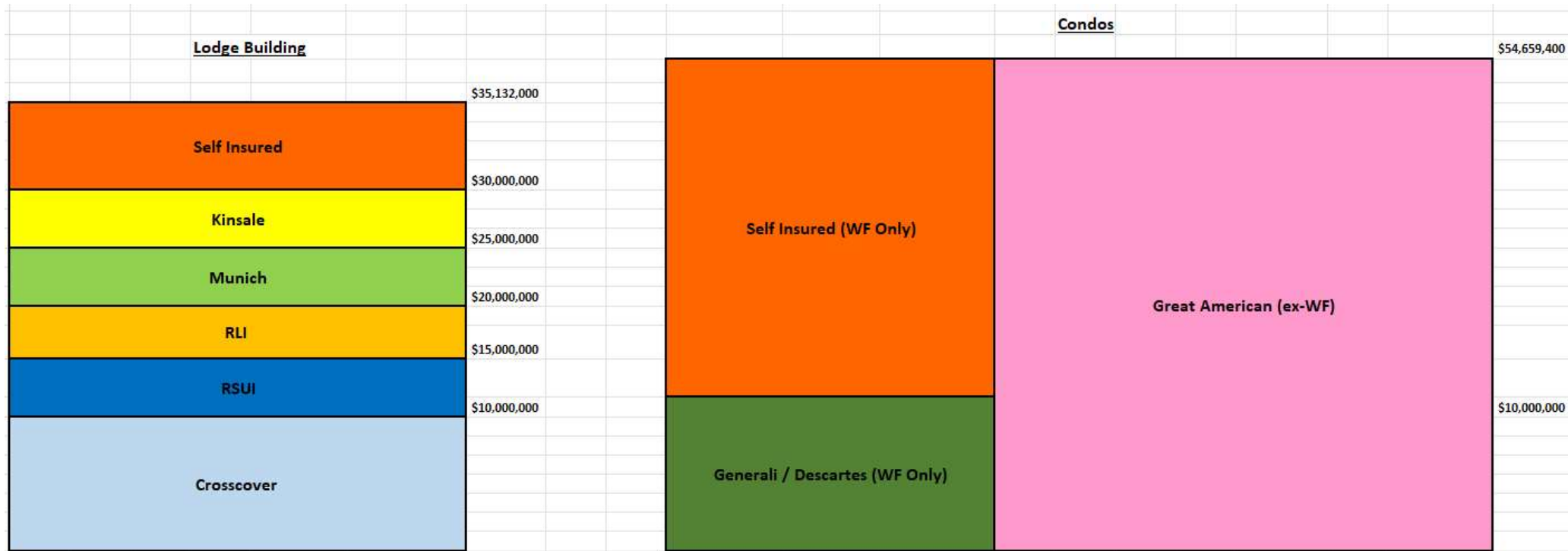
- Consider alternative program designs to identify best possible solutions with capital efficiency
- Maximize marketplace efforts
- Maximize wildfire coverage in total program
- Reduce costs

Marketing Summary

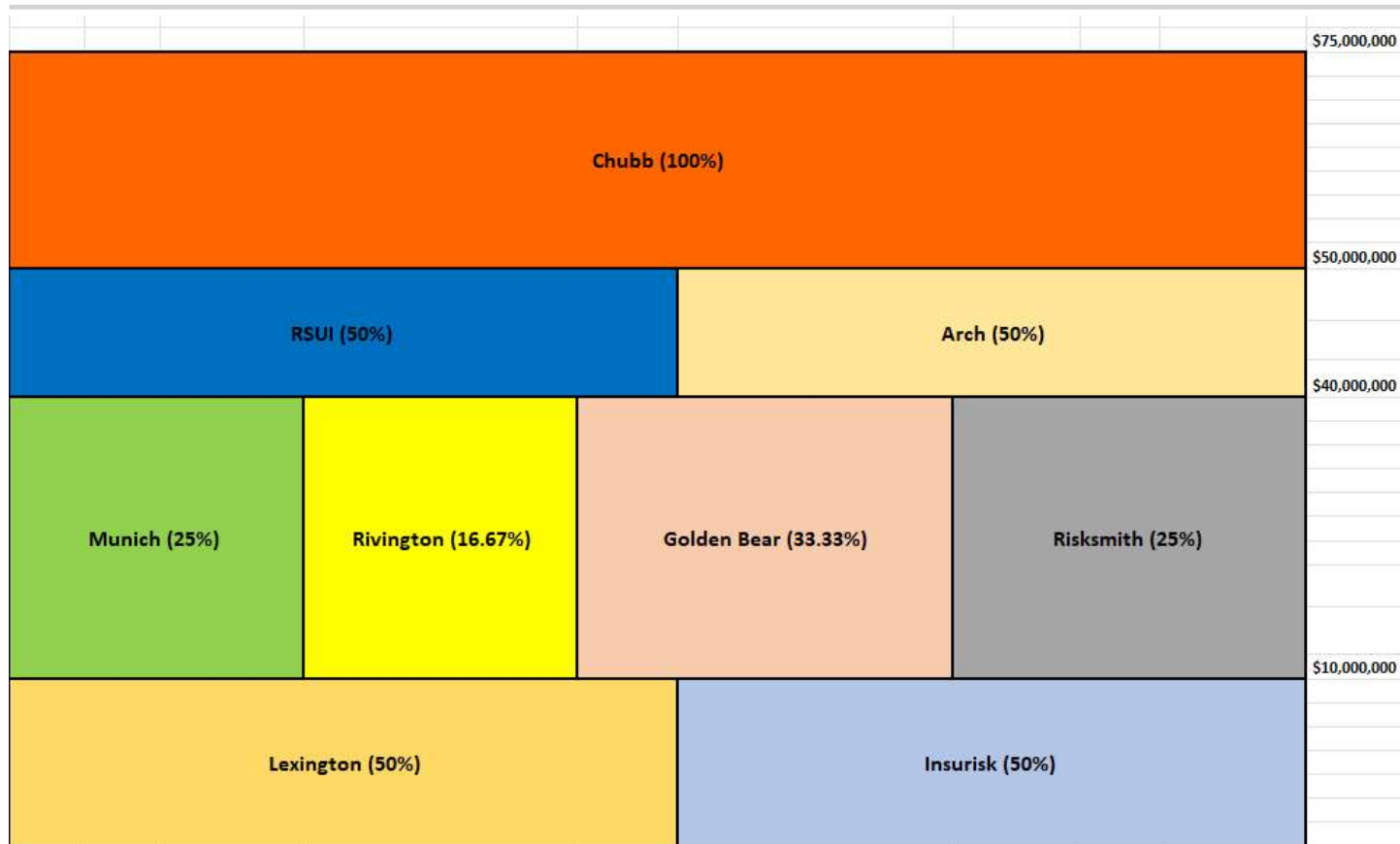
Submitted to over 40 carriers; most declined to quote due to the following:

- Total Insured Value
- Lack of Capacity
- Wildfire Exposure
- Short-term rentals

2023/2024 Property Program Design



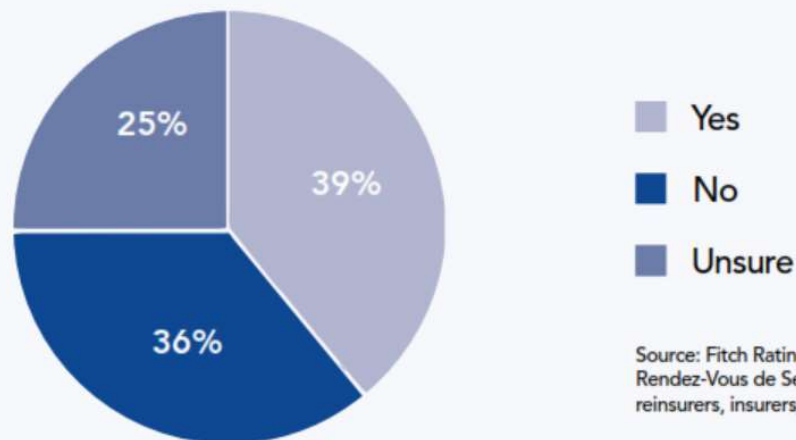
2024/2025 Property Program Design



Future Renewals

Property: Showing signs of stabilization, with ample capacity available following favorable underwriting results on the insurance and reinsurance side. With natural catastrophe (CAT) insured losses around \$135B globally in 2024 according to Swiss RE, policyholders can expect insurers to remain vigilant in risk selection and deductible levels, although some rate relief is expected for favorable risk profiles. It remains difficult to place certain risks, such as senior housing, affordable and subsidized housing, frame apartments, vacant properties, and those in foreclosure or receivership. Wildfire and severe convective storm exposure continues to impact capacity available. Rebuilding costs have stabilized as inflation subsides, with U.S. averages around +5% YOY.

Will price increases be sufficient to compensate for increasing loss trends in property-catastrophe?



Excerpts from USI 2025 Commercial Property & Casualty Market Outlook. Complete report available upon request.

Coverage and Price Evolving in Real Time

Wildfires, on the other hand, didn't become big by insurance standards until 2016, which pales in comparison to the centuries of experience we have with hurricanes. Size isn't really the problem here — it's size by surprise. Now, faced with the prospect that this fire alone could cost insurers more than \$30 billion, it's clear that the current system is going to struggle to contend with increasingly destructive events like this. Customers need wildfire protection, and insurers need to find a new way to provide it.

Harvard Business Review, 01/22/2025: The LA Fires Could Change the Insurance Industry
<https://hbr.org/2025/01/the-la-fires-could-change-the-insurance-industry>



— A firefighter battles the Palisades Fire in Mandeville Canyon, in Los Angeles, on Jan. 11. Jae C. Hong / AP

Photo from <https://www.nbcnews.com/news/us-news/california-wildfires-what-we-know-palisades-eaton-los-angeles-rcna188239>

Mitigation Planning is Critical

- TACO's Board has intentionally and thoughtfully taken profound mitigation actions and planning
 - Fire rated drywall
 - Sprinklers throughout the Association
 - TACO is a fully fire protected development supported by Durango Fire Protection District
 - Full fire hydrant coverage and 1.25-Million-gallon reserve reservoir
 - Surrounded by an irrigated golf course
 - Wildfire defense zone mitigation analysis is conducted annually
 - New roofs
 - 5 Year Plan for upgrading the fire protection system
 - Ongoing assessment of risk control and recovery strategies by Board
 - Partnership with neighboring communities and local authorities
 - La Plata Emergency Response Team
 - Adaptive Wildfire
 - DFPF Site Visit/Feedback
 - The Board and Staff of TACO continue to increase fire mitigation efforts. ***Owners can learn more at the February 1st Board Meeting.***
- These facts and investments continue to make a meaningful impact on the ability for TACO to secure adequate coverage at competitive rates.

Loss Assessment

Loss Assessment coverage responds when the loss assessment imposed by the Association is the results of a claim that otherwise would be covered by the Association's master policy but is not because of inadequate limits or possibly because of a high deductible that must be borne by all unit owners of the association. Loss Assessment limits vary by company, ranging from \$1,000 to \$50,000, in most cases and can typically be increased. The cost to increase this coverage limit is usually minimal. USI recommends that unit owners carry at least \$50,000 in Loss Assessment coverage to cover any assessment. Note that Loss Assessment coverage does not apply to financial assessments that are not related to insurance claims.

*Owners who are renting their unit to a tenant need a Rental Dwelling or Business Owners policy instead of a Unit Owners Homeowners policy. Since dwelling policies differ from HO-6 policy forms, be sure to ask your agent or insurance carrier if your policy contains, or if you can obtain, Loss Assessment coverage. Many dwelling policies do not automatically cover loss assessment; therefore, it is important to verify your options and coverage.

Loss Assessment Checklist

Important Questions for Your Personal Insurance Agent

1. Does my policy include Loss Assessment coverage?
2. If yes, what are my policy limits for Loss Assessment?
3. Can the limit be increased? If so, what is the maximum amount available and the cost?
4. Will my Loss Assessment coverage pay for a special assessment that is due to the Association's master policy deductible? Are there any conditions/exclusions for roof replacement?
5. Is there a lower limit (sublimit) paid by my carrier if the reason for my Loss Assessment claim is to pay my portion of the Association's deductible?

This is a very important question! Some carriers will show higher limits on the policy declarations page but still not cover a loss assessment (or offer a sublimit of only \$1,000 or \$5,000) if it is triggered by the master policy's deductible. This is not something you want to find out after a loss has occurred.

USI strongly recommends that you contact your personal insurance agent (or carrier) to ensure your personal Homeowners insurance policy offers adequate limits for all your coverage needs.



Contact Information:

Shadia S. Ahmad, CIC, CPIA

Vice President, Risk Management & Capital Efficiency

USI Insurance Services

4600 S. Ulster Street, Suite 1200, Denver, CO, 80237

Shadia.Ahmad@usi.com | www.usi.com

720.422.7520

Kyle den Daas, CPRIA

Personal Risk Specialist

USI Insurance Services

4600 S. Ulster Street, Suite 1200, Denver, CO, 80237

kyle.dendaas@usi.com | www.usi.com

203.731.1897 | d: 303.831.5156 | f: 303.831.5295



CONFIDENTIAL AND PROPRIETARY: This document and the information contained herein is confidential and proprietary information of USI Insurance Services, LLC ("USI"). Recipient agrees not to copy, reproduce or distribute this document, in whole or in part, without the prior written consent of USI. Estimates are illustrative given data limitation, may not be cumulative and are subject to change based on carrier underwriting.

© 2014-2020 USI Insurance Services. All rights reserved.