

La Cumbre Owners Association

Insurance Update

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Presented By:

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Discussion Topics:

1. Overview of the California Insurance Crisis
2. Current State of HOA Insurance in Santa Barbara
3. Regulatory Updates and What They Mean
4. La Cumbre Owners Master Policy Coverage- Bare Walls
5. LCOA Perils Covered and Excluded
6. LCOA- What part of the building is insured by the master policy?
7. Recommended coverage for Unit Owners
8. Q+A

Topic #1 Overview of The California Insurance Crisis

- Increasing severity of wildfires
 - Wildfires have cost insurers over \$50 billion since 2017.
- Insurers worldwide are remodeling wildfire risk and communities- similar to how they model Cat 4 or 5 Hurricanes.
- Reinsurance Costs have skyrocketed or become unavailable entirely
- California Insurance Regulators have denied “admitted” insurer rate increase requests, causing many to non-renew or exit California. Leaving only non-admitted insurers for HOA’s
- Increased Climate Risk- NOAA reports 20% increase in extreme fire weather in California since 2000



Topic #1 Overview of The California Insurance Crisis (Continued)

- Increasing severity of wildfires
 - Wildfires have cost insurers over \$50 billion since 2017.
- Surging premiums and non-renewals- State Farm, California's largest insurer, halted new policies in April 2023.
- The California Fair Plan, the "insurer of last resort" now insures \$458 billion in property values, up 62% from 2023.

- Inflation has played a major role in driving insurance costs. Worldwide insurers are remodeling wildfire risk and communities- similar to how they model Cat 4 or 5 Hurricanes.
- Reinsurance Costs have skyrocketed or become unavailable to insurers entirely



Topic #2 The Current State of HOA Insurance in Santa Barbara

- In 2024 alone, 15% of HOA's faced non-renewals of insurance
- Some HOA's are facing significant premium increases- \$50k to \$300k annually as one example when losing an Admitted policy and moving to a non-admitted insurer
- Santa Barbara is considered an extreme high fire area for insurers- new insurer mapping has greatly expanded fire risk zones
- Fair Plan Use- For some HOA's in higher fire areas, the California Fair Plan is the only option. The cost for \$20 million in fire insurance is \$75k annually with the Fair Plan.
- Deductible Increases- HOA's are forced to increase deductibles from \$5/\$10k to \$25/50k and up to reign in costs

Topic #4 Practical Impacts on Santa Barbara HOA's

- Budget Strain- HOA's are under serious budget strain from insurance costs increases- special assessments are common to pay for increased insurance costs.
- Coverage Gaps- HOA's are facing coverage gaps and shifting to Bare Walls policies- leaving owners to insure for interiors.
- Market Delays- Quotes and policies are taking longer to issue.
- Aging Associations- Associations Built in the 1960's / 70's are having aging plumbing, heating, roofing, electrical systems. At the same time, insurers are requesting proof of updates for these systems.

Farmers Insurance



- LCOA's Master Policy is provided by Farmers Insurance
- Farmers is the #1 insurer of HOA's in California
- AMBest Rating of A XV
- Strong Financial Outlook, in a good position for the future.
- California is Farmers home state
- Farmers getting through the recent insurance woes. Looking to grow again in CA. Has non-renewed some HOA's in CA. LCOA made it through that period unscathed. Larger rate increases in 2025 which LCOA has incurred.

Farmers Policy Highlights:

Coverage:

\$32,519,700 Buildings

\$25k Deductible

\$800,000 Crime

\$2,000,000 Liability Each Occurrence

\$4,000,000 Aggregate

\$2,000,000 D+O Each Occurrence

\$3,000,000 Umbrella

2025 Premiums

Master Policy:

\$66,400 + \$1,808 Umbrella

2024

\$49,874 + \$1,808 Umbrella

LCOA- “Bare Walls” CC+R’s and Coverage

- LCOA as the association provides master policy coverage for the exterior of the buildings.
- The interior of the unit is the unit owners responsibility to purchase insurance for.

Special Note- LCOA does not provide a master policy for Earthquake or Flood!!!

Master Policy Perils Covered and Excluded:

Covered:

- Fire or lightning
- Windstorm or hail
- Explosion
- Riot or civil commotion
- Damage caused by aircraft
- Damage caused by vehicles
- Smoke
- Vandalism
- Theft
- Volcanic eruption
- Falling objects
- Weight of ice, snow, or sleet
- Accidental discharge or overflow of water or steam
- Sudden and accidental tearing, cracking, burning, or bulging of certain household systems
- Freezing
- Sudden and accidental damage due to short-circuiting

Excluded:

Earthquake

Flood

Landslide

Master Policy- Building Components it covers and Does Not Cover?

LCOA is Covered For:

- Debris Removal
- Windows
- Roof
- Framing
- Foundation
- Exterior Walls and siding
- Interior drywall
- Interior cement floor
- Rough plumbing and electrical

Unit Owners Are **Not** Covered For:

- Interior floor coverings
- Paint and finishes
- Kitchens including plumbing finishes
- Bathrooms including plumbing finishes
- Interior electrical fixtures, lighting, fixtures
- Unit owners contents
- Unit owners loss of use or personal liability



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Unit Owners Recommended Coverage To Purchase:

H06 Insurance (Unit Owners Policy:)

Building Property

Contents

Loss of use

Personal Liability

Loss Assessment

Additional Policies:

Earthquake including:

- All coverages listed under H06 policy
- Flood
- Personal umbrella
- Personal collections- art, jewelry, silver, antiques

Questions?

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