

Third memo on the insurance situation

This memo explains 4 scenarios that were retained, at one point we had 7 of them. It provides the evolution over the fiscal years 2021, 2022, the forecast for the current year and for 2024 and 2025 budget fiscal years. All insurance policies are listed, the cost or the expected cost when known. Then you have one line that indicates the actual monthly cost, this is right for the year 2021 and 2022. For the years 2023 on, it is a forecast for the first 3 and ***the 4 one is the actual end result.***

The first scenario is the first quote received from the different insurance company. The first line called "Property ex-wind and wind" incorporates building fire and hurricane coverage. There is one company that provides such combined coverage. It was the company that has provided coverage to Waterside previously. We can see this went from \$310,083 in 2021, to \$389,901.00 in 2022 and finally their quote for 2023 amounted to \$1,103,000.00, which prompted your Board of Directors to look at alternatives. By the way our broker forecasted that possibility and mid-March decided to investigate with Citizens.

For the year 2021, total insurance cost was \$373,124.00 for a monthly cost per unit of \$76.00, for the year 2022 total insurance cost amounted to \$482,490.00 or \$98.00 per month per unit. An increase of 29.3% over 2021. The expected 2023 in the first scenario indicated a total cost of \$1,240,340.00 or an increase of 257%, over 2022. The reason for the projected increase of the insurance cost for the years 2024 and 2025 is simple, the State is recommending that level of increase for residential and commercial. If adopted at 18%, previously the limit was 12% for residential and the sky was the limit for commercial. This possible new law is favorable to the Association but not for private residence. Our owners may see an increase in their own insurance cost coverage. ***Remember it is always subject to changes.***

Insurance components alone represent under this scenario \$251.00 per month per unit, and our monthly cost should have been \$579.00 instead of \$450.00. In 2024 insurance monthly fee would be \$297.00 and our total fee \$658.00, in 2025 \$350.00 for the insurance and a total monthly fee of \$747.00.

We used 10% for the growth of other expenses as contributions to the various reserves will need to go up, due to the inflation. **The increase of the declared value by 37% also has its impact on insurance costs and is beneficial to owners in case**

of site damage, let's hope this never happens. Limited changes to the deductibles, maximum 10% per building for the fire policy and 5% for the hurricane policy. Under this scenario you can notice that there is no Umbrella coverage, a very substantial increase in the General Liability and the elimination of the Mold policy.

The second scenario reflects the elimination of the substantial increase in General Liability and the obtention of an Umbrella policy after providing explanation on the claim for the falling tree. Limited impact on the total, insurance expected cost went down by \$39,400.00 just a simple tree falling that generated a questionable claim.

The third scenario on page 2 is when we received the quote from Citizen, **oh surprise**, first Citizen only offer wind damage, so we needed to find coverage for building damage say from a fire. Monthly cost for the year 2023, using the third scenarios would have been \$615.00 and the special assessment \$1,975.00.

Our broker back in mid-March started representation with Citizen, as he was expecting such a situation, i.e., scenario number 3 and they agreed to revisit their quotation if we performed the following task:

- A new evaluation report from a specialized firm.
- A new mitigation report.
- Visit of all attics that demonstrate the attachment of the roof to the structure.
- Provide photos of all our shutters indicating that they are hurricane proof.
- Provide copy of Town inspector approval certificate.

We had 4 days to complete all of these tasks and obtain this information, Stacey and our broker started to work on this, not counting the Town of Hypoluxo personnel nor the specialist firm's personnel, we had 7 people involved in completing the data for May 19, 2023, which we did.

The scenario 4, from 3:15 pm on May 24, 2023, is the result of all this work, it was in the hands of Citizen, and finally we got a positive reply note from them. The monthly fee for the current year should have been \$488.00, the special assessment would be \$450.00 and 2024 monthly fee can be \$550.00.

Owners, we need to thank everyone involved in this significant task, from Stacey, Monique, Brigitte, our maintenance staff, our broker, the insurance committee, Director Michael Shane, owner Gaby Belanger, to contractors and professional firms involved and the Town of Hypoluxo.

It was in the hands of Citizen, and we finally got the good news under a very difficult insurance market. Even if it represents an increase of 62% over 2022.

Now we need to complete the work, like reply to minor questions requested by Citizen, do a cash flow projection, negotiate for a loan for the payment and finally the scheduling of a special Board meeting for the formal approval of the assessment by the Board.

Thanks to all, this was a very stressful period for the person that signed this email.

On behalf of the Board of Directors

Andre Mongrain, President

May 25, 2023

SCENARIO # 1 FIRST PROPOSAL RECEIVED FROM AMERICAN COASTAL**SCENARIO #1 PREMIERE PROPOSITION RECUE DE AMERICAN COASTAL**

	2021	2022	BUDGET 2023	EXPECTED 2023	FORECAST 2024	FORECAST 2025
COST BREAKDOWN AND IMPACT ON MONTHLY FEE						
INSURANCE PART FIRST OFFER FROM AMERICAN COASTAL						
PROPERTY EXWIND AND WIND ON SAME POLICY	310,083	389,901	603,000			
FIRST OFFER FROM AMERICAN COASTAL				1,103,000		
FIRST OFFER FOR GENERAL LIABILITY	47,146	63,446		70,245		
COST FOR GL DUE TO NON AVAILABILITY OF UMBRELLA	0	0		50,283		
UMBRELLA	7,531	18,884		0		
OTHER POLICY	8,364	10,259		7,884		
OTHER COST	0	0		8,928		
TOTAL INSURANCE COST USING 18% GROWT	373,124	482,490	603,000	1,240,340	1,463,601	1,727,050
YEARLY MONTHLY COST PER UNIT	76	98	122	251	297	350
OPERATING EXPENSES INCREASE AT 10% INCLUSIVE OF RESERVES	274	277	328	328	361	397
GRAND TOTAL MONTHLY FEE	350	375	450	579	658	747
SPECIAL ASSESSMENT REQUIRED				1,552		

SCENARIO # 2 FOLLOWING THE NEGOTIATION OF AN UMBRELLA POLICY, ELIMINATION OF AN EXTRA GENERAL LIABILITY**SCENARIO # 2 SUITE A LA NEGOTIATION D'UNE ASSURANCE PARAPLUIE ET L'ELIMINATION D'UNE POLICE SUPPLEMENTAIRE
POUR DOMMAGES GENERAUX****COST BREAKDOWN AND IMPACT ON MONTHLY FEE**

	2021	2022	BUDGET 2023	EXPECTED 2023	FORECAST 2024	FORECAST 2025
INSURANCE COST AMERICAN C. AND UMBRELLA LESS PART OF GL						
PROPERTY EXWIND AND WIND ON SAME POLICY	310,083	389,901	603,000	1,103,000		
FIRST OFFER FROM AMERICAN COASTAL	0	0		0.00		
FIRST OFFER FOR GENERAL LIABILITY	47,146	63,446		70,245		
COST FOR GL DUE TO NON AVAILABILITY OF UMBRELLA	0	0		0		
UMBRELLA	7,511	18,884		10,883		
OTHER POLICY	8,364	10,259		7,884		
OTHER COST	0	0		8,928		
TOTAL INSURANCE COST USING 18% GROWT	373,124	482,490	603,000	1,200,940	1,417,110	1,672,190
YEARLY MONTHLY COST PER UNIT	76	98	122	244	287	339
OPERATING EXPENSES INCREASE AT 10% INCLUSIVE OF RESERVES	274	277	328	328	361	397
GRAND TOTAL MONTHLY FEE	350	375	450	572	648	736
SPECIAL ASSESSMENT REQUIRED				1,455		

SCENARIO #3 FIRST FROM CITIZENS WIND AND AN EX-WIND POLICY FROM OTHER INSURER

SCENARIO# 3 PREMIERE DE CITIZENS POUR OURAGAN ET UNE POLICE BATIMENT D'UN AUTRE ASSUREUR

	2021	2022	BUDGET 2023	EXPECTED 2023	FORECAST 2024	FORECAST 2025
COST BREAKDOWN AND IMPACT ON MONTHLY FEE						
INSURANCE COST FIRST OFFER FROM CITIZEN PLUS EX-WIND						
PROPERTY EXWIND AND WIND ON SAME POLICY	310,083	389,901	603,000	0		
PROPERTY EX-WIND				153,727		
FIRST OFFER FROM CITIZEN WIND ONLY				1,153,000		
FIRST OFFER FOR GENERAL LIABILITY	47,146	63,446		70,245		
COST FOR GL DUE TO NON AVAILABILITY OF UMBRELLA	0	0		0		
UMBRELLA	7,511	18,884		10,883		
OTHER POLICY	8,364	10,259		7,884		
OTHER COST				18,928		
TOTAL INSURANCE COST USING 18% GROWT	373,124	482,490	603,000	1,414,667	1,669,307	1,969,782
YEARLY MONTHLY COST PER UNIT	76	98	122	287	338	399
OPERATING EXPENSES INCREASE AT 10% INCLUSIVE OF RESERVES	274	277	328	328	361	397
GRAND TOTAL MONTHLY FEE	350	375	450	615	699	796
SPECIAL ASSESSMENT REQUIRED				1,975		

BEST SCENARIO CITIZEN AGREE WITH ROOF ATTACHEMENT AND SHUTTERS

MEILLEUR SCENARIO CITIZEN CONFIRME AVEC ATTACHE DES TOITURES ET LES AUVANTS PROTECTEUR

PROPERTY EXWIND AND WIND ON SAME POLICY	310,083	389,901	603,000			
PROPERTY EX-WIND				153,727		
FIRST OFFER FROM CITIZEN WIND ONLY				495,819		
FIRST OFFER FOR GENERAL LIABILITY	47,146	63,446		70,245		
COST FOR GL DUE TO NON AVAILABILITY OF UMBRELLA	0	0		0		
UMBRELLA	7,511	18,884		10,883		
OTHER POLICY	8,364	10,259		26,181		
OTHER COST	0	0		23,914		
INTEREST, LEGAL, FINANCIAL COST	0	0		7,110		
TOTAL INSURANCE COST USING 18% GROWT	373,124	482,490	603,000	787,879	929,697	1,097,042
YEARLY MONTHLY COST PER UNIT	76	98	122	160	189	222
OPERATING EXPENSES INCREASE AT 10% INCLUSIVE OF RESERVES	274	277	328	328	361	397
GRAND TOTAL MONTHLY FEE	350	375	450	488	550	619
SPECIAL ASSESSMENT REQUIRED				450		

PREPARE BY ACMONGRAIN ON MAY 21, 2023

PREPARE BY ACMONGRAIN ON MAY 23,2023

PREPARE BY ACMONGRAIN ON MAY 24,2023