

2018-2019 Budget Guidance



Budget season and hurricane season go hand in hand and they can sometimes be as chaotic as each other. All I can say is looking back at 2016 and 2017 we hope to have another 11 year lull like after the 2004 and 2005 Atlantic hurricane seasons in our area.

Despite the heavy storm activity and increasing treasury rates, reinsurance pricing on “catastrophe exposed property”, which is basically all of Florida, has stayed very stable. Right after hurricane season there was a strong reaction on renewals by some carriers and it was very difficult to move some risks because of open claims. Going forward we are expecting to be able to retain much of the rate reductions we have been able to negotiate in the past 5 years.

In addition to mild rates the NOAA is increasing chances of El Nino conditions with a 60% likelihood of below-normal activity.

We are forecasting a low insurance rate increase on property of 5%. This estimate is predicated on the expectation of no dramatic treasury yield increases nor multiple extreme weather events in highly concentrated areas. Here are a few important factors that will affect the renewal for your specific association in 2019:

- Increases in Appraised Values (insurance basis)—Construction material costs and labor costs have increased significantly due to strong new construction along with significant repair work brought on by storm activity
- Age of Roof—Associations with roofs that have not been completely replaced before 2006 may see their options decrease which could mean higher premiums or poor coverage terms like no ordinance and law, wind driven rain, or mold coverage.
- Assignment of Benefit (AOB) Claims—Just having a claim from 2017 or 2016 will not guarantee an increase or preclude your association from multiple carrier options. Only certain types of open and heavily litigated claims from assignment of benefit type of situations will cause headwinds in achieving aggressively priced property renewals in 2019.
- Curb Appeal—Associations that have cleaned up well and even made improvements this past year can expect the most favor come renewal time.


We expect increases on the flood side as the NFIP continues to find its way and reach actuarially sound rates. Workers Comp should remain flat for associations and their contractors. General Liability has experienced some small increases and we might see a little bit more of that again this year. Directors and officers may have the largest increase, but for most associations it represents a very small portion of premium along with crime/fidelity bonding coverage whose rates are expected to be flat.

<u>Line of Coverage</u>	<u>% Change in Rate*</u>
Property	+5%
General Liability	+5%
Crime	Flat
Directors & Officers	+10%
Umbrella	+5%
Primary Flood	+10%
Excess Flood	+5%
Worker's Comp	Flat

Helpful Links:

- [Artemis 2018 Atlantic Hurricane Season Blog](#) Track the forecast for the 2018 Atlantic hurricane season with maps and data
- [Wells in Florida Town Test Positive for Chemicals](#) Fire extinguishing foams, Teflon linked to types of cancer and thyroid defects
- [FEMA's first NFIP flood cat bond launches](#) FEMA seeking \$275 Mil in reinsurance protection from the capital markets and ILS
- [Scott Declares State of Emergency Over Toxic Algae Bloom](#) red tide impacting the Gulf Coast
- [2018 Total Condo/HOA Association Disaster and Hurricane Online Resource](#) CAAMP Website
- [Upcoming Manager Event Sept 26th Sonia Bosinger](#)—CAAMP RSVP Link Coming Soon

Best Regards,



Lead Community Association Team Advisor

SCCA – Board of Directors

[CAAMP – President](#)

tbarone@bbbrevard.com

Office: (321) 757-8686 Ext 110

Cell: (321) 775-5514

Please forward, distribute or copy this email or PDF without alterations and including all headers and other information identifying the author and owner of the copyrighted material contained herein. You may not copy this email or PDF to a website without the written permission of Trevor Barone.

*This is not a quote or guarantee just a general conservative market trend expected for the next 12 months at this time

