**From the desk of Craig Fenstermaker**
PCAM, CIRMS, VPO and COO | IMC Resort Services, Inc.

**Re: Status of the Coastal Insurance Market in 2023**

To All Owners in IMC Managed Communities,

I hope this correspondence finds all of you well and healthy. As we enter into 2023 with record high inflation and real costs exploding at a much higher rate than the "official" inflation rate, we find ourselves in uncharted territory related to insurance.

First and foremost, the past few years have yielded some of the highest global losses in recorded history with 2021 racking up $112B USD, which is the fourth highest on record. 2020 was not far behind at nearly $100B and 2022 is set to be just as bad with Hurricane Ian expected to accumulate a possible $70B alone. These losses have caused investors to move capital to other investments, significantly reducing the amount of capacity or supply that is available. This is exacerbated in coastal areas due to increased risk of catastrophic losses. With demand for coverage still on the rise and supply greatly reduced, insurance rates (and in turn premiums) are increasing at levels not seen in decades. Insurance underwriters are also analyzing each individual risk in much greater detail using computer modeling and other methods to calculate probable maximum loss (PML). Risks that generate higher PMLs due to age, construction type, distance from the water, loss history and so on are seeing higher increases or may have trouble finding coverage at all.

In addition, skyrocketing labor and material costs are pushing building replacement cost values (RCV) up at an extreme rate. We work with professional third-party insurance value appraisers to make sure the RCVs for our communities are kept up to date. Unfortunately, rising replacement cost values have a direct impact on insurance premiums for property and flood coverage. But ignoring these increasing building costs would result in severely underinsured buildings and amenities.

What does all of this mean to your community? It depends on whether or not your community is due for an updated insurance value appraisal this year but rate increases seem to be in the 30% - 45% increase range with RCV updates adding another 35 - 45%. Insurance premium = rate x values so those that are due for a value update will be getting the double whammy of both increases at the same time. That means that a community that is due to have their values updated this year could see insurance increases as high as 90% in 2023. No matter what the level of increase is, deductibles are being forced up and coverage enhancements are being removed from the coverage as well. It really is unprecedented and could be difficult for some communities to overcome.

Whatever the outcome, you can rest assured that my team and I shop the risk each and every year to a wide range of carriers using multiple agencies and brokers. Unfortunately, this year there isn't much competition left to shop from since so many carriers have pulled off of the southeast coast. Our hope is that rates are getting to a point where it may bring some competition back to the marketplace in 2024 and beyond and that rising building costs begin to taper off.

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