PASEO PLAZA
SAN JOSE CALIFORNIA

Paseo Plaza Condominiums
Home Owners Association (HOA)
144 S 3rd St, Main Office
San Jose, CA 95112

Senator Dave Cortese
1021 O Street, Suite 6630
Sacramento, CA 95814

Dear Senator Cortese,

I noted the mid-June announcement that California Senate President pro-Tempore Mike McGuire selected you to join the recently established Senate Insurance Working Group.

On June 1st, our HOA annual property insurance premium jumped by a factor of five, from just under $100K to well over a half million dollars, which had to be paid in a single, up-front payment. We also could not find full-replacement-cost coverage for our $116M complex and had to settle for a maximum loss cap of $100M, and our water damage deductible increased from $25,000 to $100K.

All of that premium left California (Farmers Insurance) for Australia (QBE Select). To add insult to injury, QBE announced this week that they plan to exit the property insurance market this year, so renewing with them will not be possible.

Our previous coverage expired on May 31st after being notified in March by Farmers that they would not be renewing our HOA property insurance. When our broker sought coverage on the primary California market, she could not obtain bid responses from any "admitted" California insurance providers. This forced us to turn to the secondary market for coverage at dramatically higher rates and with much less coverage than we had before -- a situation that has imposed a significant financial challenge on our unit owners.

Paseo Plaza is a 210-unit, multi-story, multi-building condominium complex located in the center of San Jose. On June 1, 2024, our property coverage premium increased from $93,997 per year with Farmers Insurance, an Admitted Carrier, to $503,462 per year with QBE Specialty Insurance, a non-admitted carrier.

The maximum loss coverage we could obtain was $100,000,000 versus our complex's estimated Total Insurance Value, which was $116,455,234. The annual premium had to be paid upfront, and the policy was fully earned at inception, with no refunds if canceled.

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This cost increase was well outside the bounds of our operating budget and forced us to pull funds temporarily from reserves, with a special assessment likely to repay reserves in the next several months. We are projecting a special assessment of $2,037 for each unit. This will likely continue until this insurance crisis is resolved and new, admitted carrier coverages become available.

Our insurance broker, Niki Ghofranian, of Niki Ghofranian Insurance Agency (License 0691789) provided the following information on her extensive efforts to locate insurance:

> *There are not a lot of insurance carriers currently offering coverage for Habitational risks in California. Most of them have stopped writing or severely changed their underwriting criteria.*
>
> *The following is a list of carriers/brokerages approached for quotes and the outcomes:*
>
> *McGowan Program Underwriters-Total Insured Value (TIV) was too high for their program.*
>
> *Hartford Insurance-TIV over $50M is not eligible for the program*
>
> *Travelers Insurance-TIV over $50M is no longer eligible for this program.*
>
> *Policy Joy (brokerage)-TIV too high for the markets due to frame construction.*
>
> *Preferred Property Programs-Frame Buildings limited to $13M per building*
>
> *Ciba – High Risk- Frame Construction*
>
> *HabPro – Too large of a risk*
>
> *SPFM – Risk not within guidelines at this time*
>
> *Coastal – Values on single buildings too high*
>
> *DMM – Not competitive. Premium would be over $700k*

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The other markets that could have been approached were in the $900k-$1M premium range. Since we had a quote for far less than this, there was no need to approach those others.

As background, our insurance loss history runs have minimal, with a single, small claim for the past five years for a net incurred loss to Farmers of less than $4,000 ($3,986.54). Our buildings all have new roofs (2023) and recently overhauled elevators, with all elevator shafts recently brought to current building codes (2022). We've also had a recent satisfactory formal (June 2023) structural condition assessment of our entire complex by an independent civil engineering firm, Walter P Moore and Associates.

We realize it's up to us to deal with our current insurance situation. However, in our view, the lack of admitted providers and the resulting extraordinary price hikes for secondary-provider property insurance is not a sustainable situation. Resolving this pressing issue will require concerted action from the state government.

We know that you have a number of demands on your limited time, but anything you can do to help in your role as a new Senate Insurance Working Group Member would be greatly appreciated.

Sincerely,

Duncan Brown,
President

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CC: Cindy Chavez, Supervisor, District 2
Omar Torres, Councilmember, San Jose District 3