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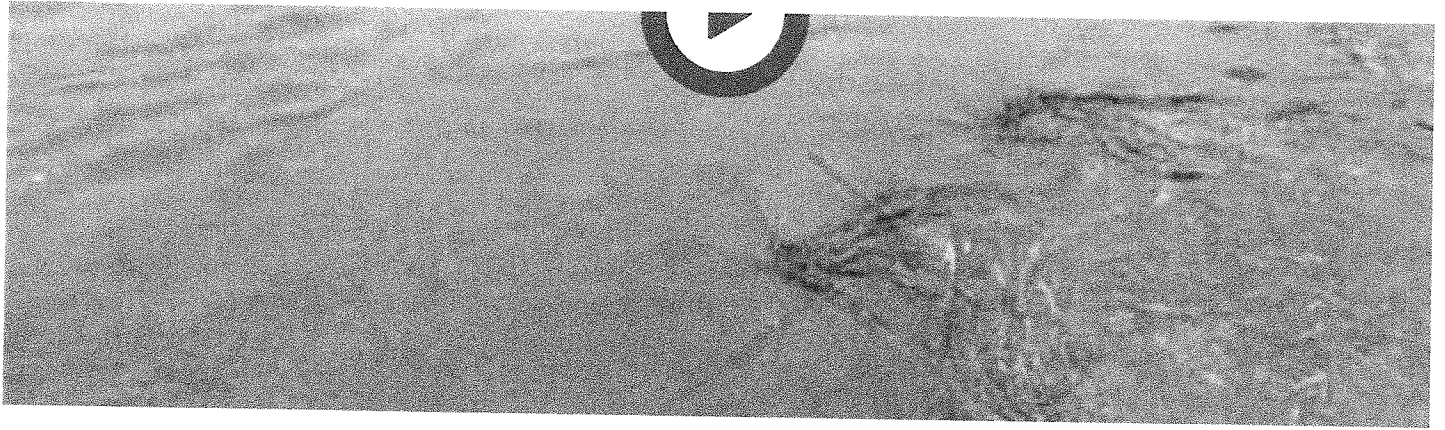
REAL ESTATE NEWS

## 'A kick in the teeth:' Some Hilton Head condo insurance policies soar 500%

BY MARY DIMITROV

JUNE 16, 2023 11:13 AM





At Alljoy Boat Landing in Bluffton, tropical storm Ian's surge at high tide on Sept. 29, 2022.  
BY DREW MARTIN



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Anything in life that costs 500% more this year than last year is unthinkable.

But for when it comes to condo insurance in Beaufort County, it's a reality.

This year, Hilton Head Island Sea Side Villas owner Jared Shope is paying \$4,000 in special assessments on top of the condo's \$4,860 yearly regime fee.

Across hundreds of condo owners, like Shope, the special assessment covers this year's 499% change in the building's master insurance policy: from \$115,223 to \$690,577. If that rate of increase happened with gasoline, a driver would go from paying \$3.50 per gallon to \$21 or nearly \$400 to fill up the average car.

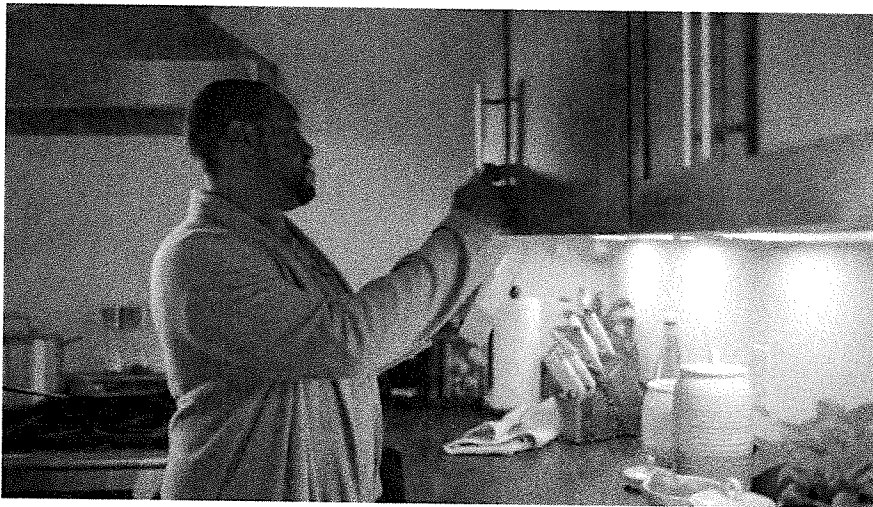
"I was surprised by the amount," Shope said. "I wasn't surprised that it increased."

Though Sea Side Villas is on the high end of master policy increases,

Shope's situation isn't unique. Insurance for condos, customarily called villas on Hilton Head, is rapidly increasing and not only on the island. Condo owners across Beaufort County—including land-locked developments in Bluffton and Okatie—are being hit with increases anywhere from zero to 500%, according to the property management companies responsible for finding insurance.

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“It impacts literally thousands,” said Robert Arundell, Hilton Head’s Woodlake Villas property owners association treasurer.

In the past year since May, condos accounted for more than 25 percent of property sales in the Hilton Head Area, according to the [Hilton Head area](#)

Realtor's market report. In that time, report says 1,396 condos were sold compared to 3,829 single-family homes.

On average Hilton Head's condos are less expensive than its homes. In May, the average price of a condo on the island was \$452,500, less than half of the \$1,255,000 average home price, according to Hilton Head Area Realtor market reports. For those with a smaller budget, looking to rent to make extra money or hoping to downsize, condos provide the opportunity to purchase property in a destination location. Not to mention owners aren't responsible for outside maintenance. Now, increasing insurance rates are adding thousands of dollars each year to the relatively cost-conscious option.

What's more is that condo insurance increases typically run higher than those of individual homes, even if they're on the same stretch of beach. Beaufort County home insurance rates are increasing anywhere from 20% to 70%, according to Meg O'Toole, an agent with Hilton Head's Goosehead insurance.

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The rise in condo insurance rates can be attributed to many of the same reasons homeowners insurance is going up: reinsurance spikes, decreased coverage availability, rebuild cost increases and reliance on Excess and Surplus Lines. However, a few key differences account for condo insurance

rising at a quicker pace: a major escalation in risk assessment, higher coverage needs and an even smaller offering of agencies than homeowners insurance.

“It’s a tough, tough situation because everything’s up in cost right now,” said Craig Fenstermaker, who is the Chief Operation Officer of IMC Resort Services property management company. “This is just a kick in the teeth. It’s hard to sustain something like this.”



The compound of Hampton Place in Palmetto Dunes as seen on Thursday, April 9, 2020, is a combination of owner occupied and vacation rentals on Hilton Head Island. Drew Martin  
[dmartin@islandpacket.com](mailto:dmartin@islandpacket.com)

## **HOW MUCH ARE THEY GOING UP?**

The coastal wind market is worse than it has ever been in U.S. history “by

far,” according to Fenstermaker.

Judging by the 130 communities in Hilton Head, Bluffton, Okatie, Beaufort and Fripp Island that IMC Resort Services manages and finds insurance for, he said it's much worse than 2007 and the hard market of the 1990s. The company also manages about 70 properties in the Charleston area.

Fenstermaker has been at IMC Resort Services for about 23 years and is a certified community insurance and risk management specialist. He said they shop coverage for their communities every year throughout the U.S. and abroad using a number of agents, brokers and managing general agents.

Of the condo insurance that has been renewed this year in the Hilton Head area he said he has seen the following breakdown:

- 0-50% increase for 3 properties
- 50%-100% increase for 22 properties
- 100%-200% increase for 45 properties
- Over 200% increase for 10 properties

Insurance increases include both rate and value increases combined, meaning that since many property values increased the amount of coverage they needed also increased.

“Unfortunately, it gives us a lot of sleepless nights and it gives us lots of emails from owners upset,” said Mark Megliore, who purchased High Tide Associates property management over 20 years ago.



Oceanwalk Villas, photographed Jan. 20, 2016, is a condominium complex on Hilton Head Island's south end. Staff file photo

Mostly condos, Megliore's company manages 38 communities in southern Beaufort County, which includes finding property insurance. He said they do their best to get two or three quotes for each property, but they're "pretty much the same." Of the condo insurance that has been renewed this year he said he has seen a:

- 0-25% increase for 6 properties
- 25-50% increase for 4 properties
- 50-100% increase for 6 properties
- 100-130% increase for 2 properties

He said there isn't trend for which properties increased the most.

"It's kind of all over the darn map," he said. "There's really no rhyme or reason doesn't really have anything to do with how far away from the coast they are."

Instead, the "rhyme or reason" can be found in multiple factors.

## **MAJOR ESCALATION IN RISK ASSESSMENT**

It started about 500 miles away, two years ago in South Florida, according to Mark Friedlander.

Friedlander is the director of communications for the Insurance Information Institute, which has worked improve public understanding of insurance since 1959.

"This goes back to the collapse of the high rise in Surfside Florida," he said.

“(It was an) older building. And since then we’ve seen a tightening in the market in terms of companies that want to write to them and we see an escalation in risk assessment, especially for older structures.”

Champlain Towers South, a 12-story beachfront condominium in Miami suburb Surfside, Florida partially collapsed June 2021, causing the deaths of nearly 100 people. Insurance companies realized the near-worst possible outcome for a beachfront condos, and Friedlander said condo insurance rates started increasing in the year after.

Condo units at Bradley Circle on Hilton Head Island. *Keith Sledge*

Fenstermaker, the property manager, has also worked in insurance and says companies calculate risk assessment with computer models by finding the most amount of money a condo would lose during a catastrophic incident called ‘probable maximum loss.’

“Everything that carriers do now is computer models,” Fenstermaker said, explaining that insurance companies calculate probable maximum loss, and communities with higher PMLs are having the most trouble.

He said that PML drivers include condo age, construction type, proximity to the ocean and claims history.

“(The worst are) very old, built in the 70s, wood frame, oceanfront with a bunch of claims on their last few years,” he said. “That’s kind of the worst case scenario. Nobody wants to write that.”

It’s also “almost everything on Hilton Head Island,” according to



Fenstermaker.

## **HIGHER COVERAGE NEEDS**

When looking to cover a multi-million dollar condo community, oftentimes one insurance carrier isn't enough.

In previous, softer, insurance one insurance carrier would pick up, for example, \$50 million insurance for a condo community.

"Now you're having to layer multiple carriers on top of each other," Fenstermaker said. "One carrier would cover \$5 million, and the another \$5 million and then another \$10 million. You might have eight or nine different carriers just to cover one community."

Oceanwalk Villas, photographed Jan. 20, 2016, is a condominium complex on Hilton Head Island's south end. Staff file photo

He said coverage for properties insured for over \$25 million normally require layering of five or more insurance companies. And with condo prices exploding in the past five years, this is becoming more common, he said.

In the Hilton Head area, median condo prices increased 70% from \$150K in 2018 to \$255K in 2022, according to the South Carolina Association of Realtors. In terms of an entire condo community, it means they're worth millions of dollars more and need more coverage. Therefore, their insurance is more expensive.

"It's easier to write a small single home than it is to write a large condo community because of (the insurers) capacity," Fenstermaker said, explaining that there are more carriers in the single home market than in the commercial market, and condos are considered commercial.

With less competition, what insurers are in the market are able to raise their rates.

## **WHEN WILL IT SETTLE DOWN?**

Megliore is hopeful that in the upcoming years when he has to inform his property owners of their insurance increases, the changes will be less drastic than this year.

Both he and Fenstermaker predict rates will start going down in a two or three years, meaning owners might be in for a couple more years of skyrocketing rates.

"No one has a crystal ball," Fenstermaker said. "But if we can get a calm year, maybe two, I expect it to taper off because the rates are so high."

This also leads relates to increasing home insurance and reinsurance, which is the insurance that insurance companies buy to mitigate some of their risks: bad weather means more claims, and insurers have to pay out

more money. As a result, insurers raise costs to make up their costs.

“Eventually, additional carriers are going to start coming back to the coast because it’s profitable,” Fenstermaker said. “With the rates so high, it’s going to bring back competition maybe in a year or two.”

He says then prices will start to go back down and the market will soften.

“The best thing anybody can do is just pray that we the whole Southeast comes through a season with no major hurricanes,” Megliore said. “I mean, as long as we can make it through a year or two with no major hurricanes, I really think that things will settle down a little bit.”

*This article was reported as part of a series about Coastal Carolina home insurance. To read more about how reinsurance spikes, decreased coverage availability, rebuild cost increases and reliance on Excess and Surplus Lines impact condo and home insurance read:*

<https://www.islandpacket.com/news/business/real-estate-news/article275464446.html>

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