



January 13, 2016

To Van Loon Commons:

This year, Brown & Brown was able to secure for Van Loon Commons a decrease on their insurance premiums of 33%. Brown & Brown started to handle the insurance program for Van Loon Commons in 2012 and since that time we have provided decreases annually in premium, as well as improved upon prior coverage terms. The primary reason for the substantial decrease this year is due to a soft property market. Rates in the property casualty market are under pressure as insurers compete on price, terms, and conditions for desirable risks. This past fall marks a record 10 years since a major hurricane hit the United States or specifically Florida. This is the longest stretch since record keeping began in 1851. The low levels of catastrophic losses continue to draw new capital into the market, heightening already intense competition among traditional insurers and reinsurers.

Van Loon Commons is currently insured with ICAT Managers, which is a syndicate of Lloyds of London. ICAT managers is rated "A" by A.M. Best. Their financial size category is an XV, which means that as a company they have over \$2 billion in policyholder surplus. This is the highest rating that an insurance company can receive from A.M. Best. ICAT is a non-admitted company, meaning they are not a part of the Florida Insurance Guaranty Association.

A non-admitted or surplus lines insurance company is an insurer that is not subject to rate and form filings. To promote competition in the insurance marketplace, all of the states permit the formation of non-admitted carriers to underwrite unique risks in their states. The key difference between a non-admitted insurer and an admitted carrier is that the insureds are not entitled to the protection of the Florida Insurance Guaranty Fund in the event of the insolvency of the non-admitted carrier. However, non-admitted companies offer much more pricing flexibility, as they do not have to submit their rates to the individual states for review. Therefore, non-admitted carriers can insure higher-risk events, such as earthquakes, or specialty risks, such as professional liability insurance, that admitted carriers often cannot afford to cover.

An admitted insurance company is one that is "admitted" by a particular state to do business as an insurance company. To be an admitted carrier, an insurance company must comply with the regulations of a particular state's Department of Insurance. In addition to meeting form filing and capital and surplus requirements for admission, admitted carriers must also file their rates with the state, which the state must approve. One of the benefits of working with an admitted carrier is that the state has the responsibility to pay an insurer's claims, up to state-specified limits, in the event of the admitted company's insolvency. In Florida, the limit is the lesser of policy limits or \$100,000 multiplied by the number of units in the association.

Sincerely,

Jessica Paulmann

A handwritten signature in cursive script that reads "Jessica Paulmann".

Brown & Brown Insurance, Inc.

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