



A New Earthquake Insurance Product for CA Condo Owners



Agenda

- 1) Who/what is Motus
- 2) Issues with existing condo earthquake insurance options
- 3) How Motus solved these issues



Motus Insurance Services



- Developed a new “opt-in” earthquake insurance product aimed Condo associations – Allowing all condo owners to access commercial rates and coverages
- Handles distribution, direct-to-consumer or through exclusive relationships
- Works with insurers (Aegis, Lloyds) and their reinsurers to create and alter our earthquake products to optimize underwriting integrity and marketability – Soon ICW or Nationwide will join
- Responsible for spreading earthquake awareness directly to property managers, HOA attorneys, exclusive retail agents, HOA boards, lenders and local/state officials



The Current Problem



The responsible solution for California condo associations that gives all unit-owners access to full earthquake coverage and commercial rates

What is the Problem?

95% of condo associations don't have a master earthquake policy



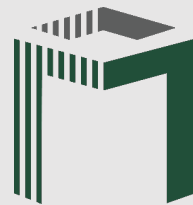
Up to the condo owners to source it

70% (1.8mm units) of condo owners don't have an HO6 policy



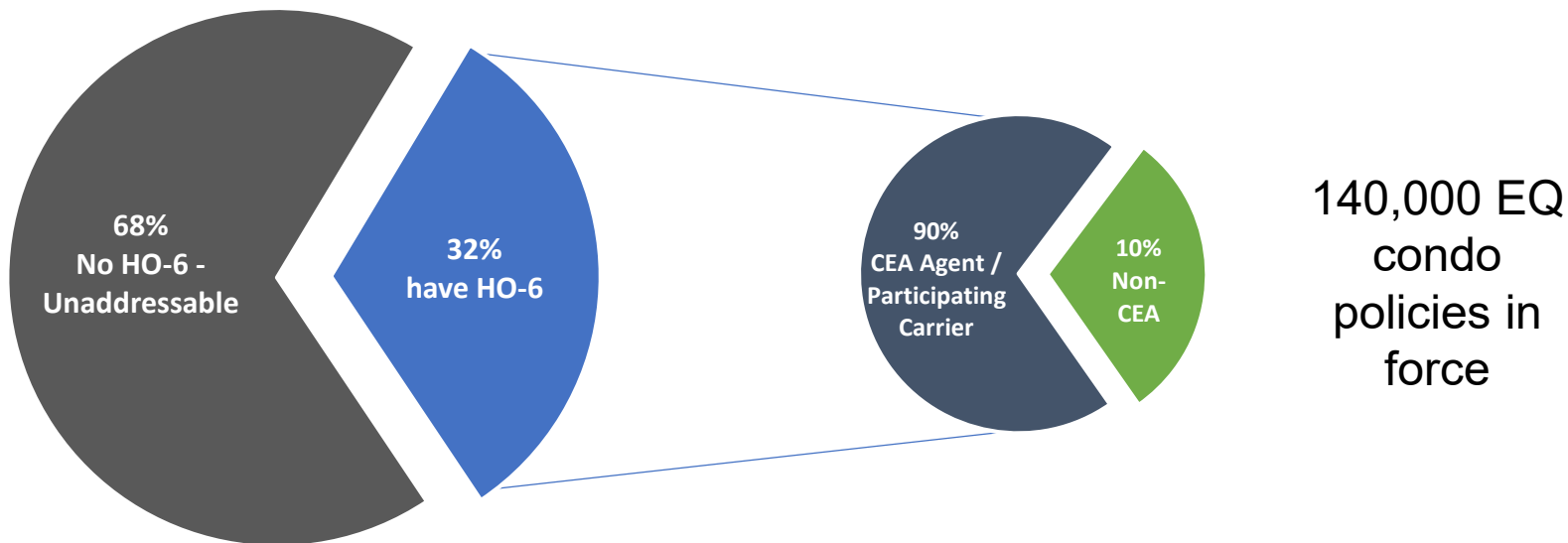
They can't access individual options

Individual Condo EQ Insurance: Distribution Obstacles

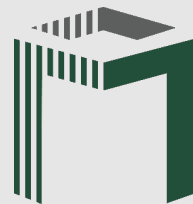


COMPANION POLICY REQUIREMENT

- Only 902,812 HO-6 policies were purchased in 2017 despite 2,787,278 condo units in California
- This means only 32% of condo owners could purchase CEA or other HO-6 EQ products
 - This means, 1,897,188 condo owners did not have access to individual earthquake insurance
- Condos represent 19.7% of the housing market yet only 9% of the EQ policies in force and 6% of the EQ premium



Motus has removed the companion policy constraint – *but does require board buy-in*

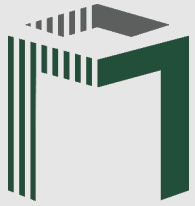


Individual Condo EQ Insurance: Coverage and underwriting issues

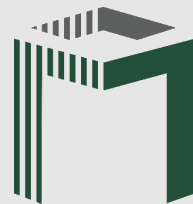
Coverage and Product Limitations

- It is by far the most expensive product, by rate, in the residential market. Rates created by territories not factoring in TIV or other relevant underwriting information.
- Since CEA can't know a condo owners total insurable exposure for loss assessment they must assume a total loss – Reason it is so expensive- Also they can't prove their rates
- Loss assessment coverage is a commercial exposure **the critical coverage for condo owners**
- No insurers offer the possibility of full indemnity and most residential insurers only offer \$5,000 - \$100,000 of loss assessment coverage (two carriers offer no coverage)
- Excludes common areas, detached garages and foundations/underground piping
- Fractured sales and claims department for CEA work against a homeowner association and CEA
- No coverage flexibility to account for the uncertainty of the CC&Rs
- Can't protect the HOA who shares an interest in the loss assessment coverage
- Does not make sense if the HOA does not rebuild. A big fear of condo owners who buy individual earthquake insurance

The Motus Solution: Solving the pain points for Board



- **Boards fulfill their fiduciary duty**
 - Whether boards can and will be sued for not buying a master policy is undecided in the legal world. They should be fine however by enrolling in Motus, the board take a pro-active step to remove this legal exposure. Motus, through their enrollments, helps boards spread awareness about the earthquake risks facing their community
- **The HOA is a named insured**
 - Being a named insured will help boards recover money necessary to rebuild after an earthquake
- **Budget Constraints**
 - Keeping an HOA in financial good-standing is getting harder and harder. Having a democratic, “if you want you, you buy it” earthquake solution helps an HOA budget that can’t afford a master policy (roughly 32,000 condo associations don’t have a master)



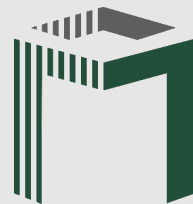
The Motus Solution: Solving the pain points for unit owners

A BETTER SOLUTION FOR CALIFORNIA CONDO OWNERS

- ✓ **Offer full indemnity limits** for loss assessment and building coverage
- ✓ **Distributed by insurance agencies** that specialize in HOA's
- ✓ **In-house specialists** reviews each association's exposures and builds a program for that HOA a
- ✓ **Guarantees Cash payout** if the association does not rebuilt. First product to do so for unit owners (we do not need a "loss assessment" trigger)
- ✓ **Allows ALL unit owners to access to commercial rates**, master policy coverage forms
- ✓ **Includes common areas** and options for foundations/underground pipes
- ✓ **One master policy** for all condo owners that sign up, "Opt-in"
- ✓ **Rates will almost always at least match CEA's** – sometimes as much as 8 times cheaper

**APPROVED BY THE
CDI/DOI IN SEPT 2017**

Motus went live in May of 2018 and can now offer earthquake insurance to more than 1.8mm California condo owners who could not previously access it



The Motus Solution

By enrolling in the Motus program, association boards help reduce their fiduciary duty liability by making comprehensive earthquake coverage known and available to all owners

	MOTUS PROGRAM	MASTER POLICIES	CEA POLICIES
Coverage for Foundations	✓	✓	✗
Coverage for Shared Assets (e.g. Common Areas)	✓	✓	✗
Combined Loss Assessment and Building Coverage	✓	✓	✗
Precision of Actuarially Sound Underwriting	✓	✓	✗
Offers Full Coverage	✓	✓	✗
No / Minimal Upfront Obligation for HOA	✓	✗	✓
Individuals Can Opt-in	✓	✗	✓*

* As a companion policy, CEA insurance is only available if the unit owner buys an individual fire insurance policy as well. Fewer than 3 out of 10 condo owners have an individual fire policy; therefore fewer than 3 out of 10 condo owners can access CEA

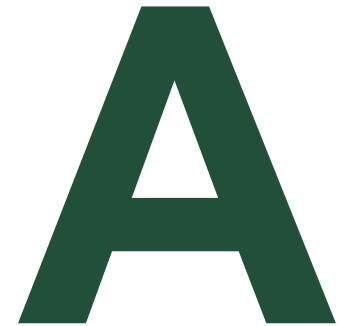
Motus typically offers >3x the coverage at less than half the cost



**APPROVED BY THE
CALIFORNIA DEPT. OF
INSURANCE (2017)**



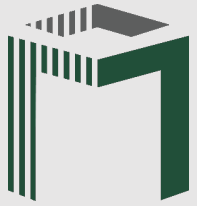
**BACKED BY AN INSURANCE
COMPANY RATED "A-" BY AM BEST
AND ADMITTED IN CALIFORNIA**



APPENDIX A

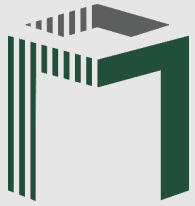
Selected Case Studies

Case Study: Bay Area HOA



- 488 units with waterfront exposure
- Total reconstruction cost: \$170mm
 - Average unit exposure: \$350,000
- **Motus Proposal:**
 - \$350,000 of coverage for \$543/year
 - Up to \$430,000/unit available
 - Covers special assessments, interior damage, foundations and common areas
- **CEA Alternative:**
 - \$100,000 of special assessment coverage (max) for \$1,211/year
 - \$100,000 of interior coverage (max) for \$472/year
 - Excludes common areas & foundations
- **RESULT:** Approximately 15% take-up in the first year
 - \$44 million in new capital available to help rebuild after an earthquake

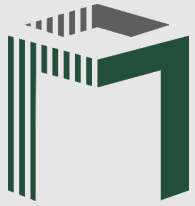
Case Study: Downtown LA High-Rise



- 255 luxury condos in a 32-story high-rise
- Total reconstruction cost: \$105mm
 - Average unit exposure: \$430,000

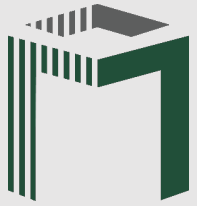
- **Motus Proposal:**
 - \$430,000 of coverage for \$1,235/year
 - Up to \$520,000/unit available
 - Covers special assessments, interior damage, foundations and common areas
- **CEA Alternative:**
 - \$100,000 of special assessment coverage (max) for \$1,045/year
 - \$100,000 of interior coverage (max) for \$408/year
 - Excludes common areas & foundations
- **RESULT:** Approximately 15% take-up in the first year
 - \$18 million in new capital available to help rebuild after an earthquake

Case Study: Palm Desert HOA



- ~500 single-story units, predominantly townhouses, plus clubhouse
- Total reconstruction cost: \$250mm
 - Average unit exposure: \$520,000
- **Motus Proposal:**
 - \$520,000 of coverage for \$1,957/year
 - Up to \$640,000/unit available
 - Covers special assessments, interior damage, foundations and common areas (including clubhouse)
- **CEA Alternative:**
 - \$100,000 of special assessment coverage (max) for \$1,577/year
 - \$100,000 of interior coverage (max) for \$640/year
 - Excludes common areas & foundations
- **RESULT:** Approximately 20% take-up in the first year
 - \$40 million in new capital available to help rebuild after an earthquake

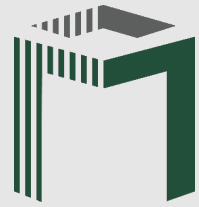
Case Study: Wine Country HOA



- 38 unit, 2-story HOA
- Total reconstruction cost: \$7.6mm
 - Average unit exposure: \$200,000
- **Motus Proposal:**
 - \$200,000 of coverage for \$720/year
 - Up to \$250,000/unit available
 - Covers special assessments, interior damage, foundations and common areas
- **CEA Alternative:**
 - \$100,000 of special assessment coverage (max) for \$933/year
 - \$100,000 of interior coverage (max) for \$358/year
 - Excludes common areas & foundations
- **RESULT:** Approximately 35% take-up in the first year
 - \$3.6 million in new capital available to help rebuild after an earthquake

Case Study:

Luxury Beverly Hills High-rise



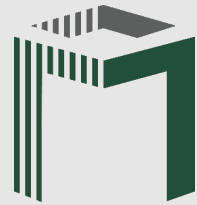
- 35 unit, 22 story luxury high-rise
- Total reconstruction cost: \$200mm
 - Average unit exposure: \$5.7mm
- **Motus Proposal:**
 - \$5.7mm of coverage for \$8,500/year
 - Up to \$7.1mm/unit available
 - Covers special assessments, interior damage, foundations and common areas
- **CEA Alternative:**
 - \$100,000 of special assessment coverage (max) for \$1,045/year
 - \$100,000 of interior coverage (max) for \$408/year
 - Excludes common areas & foundations
- This type of high-value condo highlights the issue with CEA's coverage limit

B

APPENDIX B

Additional Data- From DOI and Levy Erlander & Company

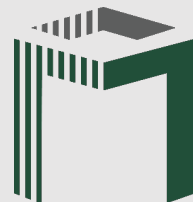
CA Residential Earthquake Insurance Market (2017)



- Condos represent 19.7% of the housing market, however...
 - They represent only 6.2% of total EQ premium (below is from DOI)
 - Only 902,812 condo HO-6 policies in force

2017 Experience Year	Total Premium (Excl EQ)	# of Policies (Excl EQ)	Avg Prem Per Policy	Avg Rate (per \$100)	Total EQ Premium	# of EQ policies	Avg Prem Per EQ Policy	Avg Rate (per \$100)	Market Share	% with EQ
Total CEA Companies	\$6,360,351,796	9,420,929	\$675.13	\$0.25	\$688,378,185	1,021,707	\$673.75	\$0.16	77.53%	10.85%
Total Residential Market (Excl CEA)	\$2,016,382,473	2,166,895	\$930.54	\$0.22	\$408,110,741	296,150	\$1,378.05	\$0.20	22.47%	13.67%
Total Residential Market (Incl CEA)	\$8,376,734,269	11,587,824	\$722.89	\$0.24	\$1,096,488,926	1,317,857	\$832.02	\$0.17	100.00%	11.37%
Total Homeowners Market	\$6,427,690,647	6,152,372	\$1,044.75	\$0.23	\$960,826,238	929,764	\$1,033.41	\$0.16	70.55%	15.11%
Total Rental Market	\$391,508,604	2,226,125	\$175.87	\$0.60	\$13,447,211	129,747	\$103.64	\$0.31	9.85%	5.83%
Total Condominium Market	\$468,315,669	902,812	\$518.73	\$0.89	\$69,826,833	141,417	\$493.77	\$0.43	10.73%	15.66%
Total Dwelling Fire Market	\$918,077,031	2,041,623	\$449.68	\$0.15	\$37,881,199	60,161	\$629.66	\$0.17	4.57%	2.95%
Total Mobile Home Market	\$171,091,094	264,892	\$645.89	\$0.69	\$14,507,445	56,768	\$255.56	\$0.22	4.31%	21.43%
Total Residential Market (Incl CEA)	\$8,376,683,044	11,587,824	\$722.89	\$0.24	\$1,096,488,926	1,317,857	\$832.02	\$0.17	100.01%	11.37%
California FAIR Plan	\$78,450,031	123,169	\$636.93	\$0.17	\$4,211,549	4,444	\$947.69	\$0.19	7.39%	3.61%
Total Dwelling Fire (Excl CA FAIR Plan)	\$839,630,578	1,918,454	\$437.66	\$0.15	\$33,669,650	55,717	\$604.30	\$0.16	92.61%	2.90%
Total Dwelling Fire Market	\$918,080,609	2,041,623	\$449.68	\$0.15	\$37,881,199	60,161	\$629.66	\$0.17	100.00%	2.95%

- Average EQ rates for condos are higher than any other class of residence
 - More than 2.5x those for single family homes (in reality, 3-5x higher)



Overview of the CA Condo Market

	2018 Census Population	2018 DOF Housing Units	HOAs	HOA Units (est)	%HOA Units to Total Units
California Total	39,809,693	14,157,590	53,458	5,002,905	35%

Size	Range (Units)	Assns.	% of Assns.
SM1	2 - 5	6,912	14.2%
SM2	6 - 10	9,062	18.6%
SM3	11 - 15	4,542	9.3%
SM4	16 - 20	3,660	7.5%
SM5	21 - 25	2,345	4.8%
SM6	26 - 50	7,000	14.4%
MD1	51 - 100	6,203	12.8%
MD2	101 - 150	3,296	6.8%
LG1	151 - 325	3,669	7.5%
LG2	326 - 500	809	1.7%
VL1	501 - 1000	590	1.2%
VL2	1001 +	554	1.1%
Unclassified	N/A	4,816	N/A

Average Size (est) 94 Units
Aggregate Number (est) 5 million Units

Revenue	Range (years)	Assns.	% of Assns.
25K	\$0 - \$25,000	3,725	15.5%
50K	\$25,001 - \$50,000	4,351	18.1%
75K	\$50,001 - \$75,000	2,585	10.7%
100K	\$75,001 - \$100,000	1,881	7.8%
200K	\$100,001 - \$200,000	4,163	17.3%
300K	\$200,001 - \$300,000	2,082	8.7%
400K	\$300,001 - \$400,000	1,217	5.1%
500K	\$400,001 - \$500,000	805	3.3%
501K	\$500,001 +	3,255	13.5%
Unclassified	N/A	29,395	N/A

Average Annual Revenue (est) \$238,000
Aggregate Annual Revenue (est) \$12.9 billion

Age	Range (years)	Assns.	% of Assns.
New	0 - 5	3,289	6.4%
YNG	6 - 10	2,570	5.0%
ADL	11 - 15	7,888	15.3%
MAT	16 - 20	4,449	8.6%
OLD	21 +	33,358	64.7%
Unclassified	N/A	1,904	N/A

Average Age (est) 20 Years

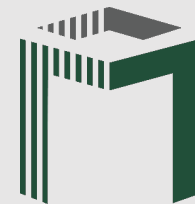
Development Types	Assns.	% of Assns.
Condominiums	26,890	54.1%
Condominium Conversions	4,979	10.0%
Cooperatives	610	1.2%
Timeshare Developments	209	0.4%
Planned Unit Developments	17,005	34.2%
Unclassified	3,765	N/A

Total 53,458
"Condo" Subtotal 35,165 65.8%
(Excludes PUDs; includes 65.8% of Unclassified)

Housing Unit Types	Units	% of Units
Single Family Homes	8,390,000	59.3%
Apartments	2,675,647	18.9%
Mobile Homes	304,665	2.2%
Condo Units	2,787,278	19.7%
Total	14,157,590	

HOA Data Gathering Methodology

Levy Erlander & Company



“2018 Census Population” and “2018 DOF Housing Units” were obtained from the State of California Department of Finance E-5 Population and Housing Estimates for Cities, Counties, and the State, 2011-2017 with 2010 Census Benchmark report released in May 2018. This report provides revised January 2018 Provisional population and housing estimates for the entire state of California. Housing units are based on American Community Survey (ACS) data and are estimated by adding new construction and annexations and subtracting demolitions, and adjusting for units lost or gained by conversions. The population estimate is based on the 2010 census count, adjusted using data from distributions of births, deaths, driver licenses, public elementary school enrollment, labor force, and county-level housing unit counts. The detailed methodology for these estimates is available at <http://www.dof.ca.gov/Forecasting/Demographics/Estimates/E-5/>.

“% HOA Units to Total Units” is obtained by dividing the estimated E-5 DOF Housing Units by the estimated total HOA Estimated units from the HOA database, “HOA Info Est Units”. “HOAs” is the total number of associations in the region and comes from the HOA database.

Number

“Number” represents the number of associations physically located in the state indicated based upon information obtained from subdivision public reports (filed with the California Bureau of Real Estate), the State of California corporation master computer file tapes/annual statement of officers prepared by the community associations (and filed with the California Secretary of State), or other industry sources. Previous editions of this publication, prior to 2013 did not include nonprofit water organizations. The number of water organizations was 515 for 2018.

Size

“Size” represents a stratification of associations according to their built-out number of units, as represented (primarily) in the subdivision public report filed with the California Department of Real Estate. The “average size” of an association is computed by dividing the aggregate number of units (for those associations of known size) by the number of associations of known size. The aggregate number of units (overall - estimated) is computed by multiplying the average size, just determined, by the total number of associations.

Age

“Age” represents a stratification of associations according to their approximate age as determined by reference to incorporation dates (from the Secretary of State) and subdivision public report filing dates (from the Department of Real Estate). For purposes of computing the weighted average, it was assumed that the average age of 21+ year-old associations was 25 years.

Buying Power

“Buying power” (a.k.a. “annual revenues”) represents a stratification of associations according to their approximate annual gross revenue based upon a combination of actual current financial data, if available, and, otherwise, extrapolation of the original “built-out” budget (as represented in the subdivision public report and inflated, on a compounded basis, at 4% per annum). The estimated “average annual revenues” was determined on a weighted average basis.

Development Types

Development types are summarized by condominiums, condominium conversions, planned unit developments, cooperatives and timeshare developments. Included in the foregoing stratification are business or commercial condominium and planned development projects.