

What You Need to Know about Your Building's Insurance

Typically included in your insurance package:

- PROPERTY INSURANCE--70% of your premium
 - Premium is based on the most current 3-year valuation of the building
 - Deductibles
 - 2% or 3% for Hurricane coverage
 - \$1,000 AOP (All Other Perils) & Sinkholes
 - Coverages
 - Covers the building and the land that it is on, but not the inside of the individual units. Coverages differ by insurance company. Some of the coverages that American Coastal includes (this insurer covers many of the buildings in CVE), are Backup of sewers & drains: \$150,000 limit of liability, "Fungus", wet rot, dry rot & bacteria: \$50,000, wind driven precipitation: \$250,000
- COMMERCIAL GENERAL LIABILITY INSURANCE (CGL)
 - Premium is based on the limits of liability selected by the building
 - Generally, the insurer does not use a deductible for this coverage
 - Coverages
 - Bodily injury to a person or property damage to an individual's property while on the building's premises and not within someone's unit.
- CRIME and FIDELITY LIABILITY COVERAGE -- covers theft or forgery by Board Members.
 - Florida **requires** that condominiums carry insurance or fidelity bonding on ALL persons (including the President, Secretary, & Treasurer) who control or disburse funds of the association.
 - The policy or bond **must cover** the maximum funds that will be in the custody of the association or its property manager at any one time. Therefore, **if your association chooses to not have coverage, you are in direct violation of the Florida Statutes and setting your association up for potential legal issues.**
- DIRECTORS & OFFICERS COVERAGE (D&O) LIABILITY- required in FL
 - Premium is based on the limits of liability selected by the building
 - There is no up-front deductible
 - Condo association board members can be sued by residents, contractors working on the property, and other parties that have grievances with

directors. Without D&O coverage, the individual board and committee members and the association are personally liable, although the governing documents usually indemnify the individuals. That means the association ends up paying legal fees and damages, which in turn means every unit owner shares in the expense—possibly to the extent of a special assessment.

- COVERAGES
 - Personal injury, property damage, advertising injury resulting from a wrongful act of the Board of Directors
- UMBRELLA COVERAGE-EXCESS LIABILITY -- (optional but highly recommended)
 - This coverage is written as a safety net over all of your other coverages, at a very high limit of liability for very little premium. It kicks in when the underlying policy's limit of liability is exhausted.
 - Can be written for both gardens and highrises.
 - Ask your agent about joining a Risk Purchasing Group for the most coverage for the least cost.
- Ordinance or Law Endorsement Coverage (required, but can choose coverage amount)
 - includes loss to the undamaged portion of building, demolition, and cost of construction to bring the building up to current building codes.
 - Can be purchased either as a percentage of the building's appraised value or by means of purchasing a lump sum amount of coverage
- WORKERS COMPENSATION -- (optional and typically not needed)
 - This coverage is generally provided by the company that you hire to work on your property. Ask the companies doing work for evidence of their workers' comp coverage and copy their certificates.
 - Since workers comp is excluded under your CGL policy, you may wish to purchase this optional coverage

How insurance companies work

Insurance companies underwrite policies to individual building associations. Those policies are sold only by **brokers** who may also use individual **agents** to both sell and service their policies. Brokers often provide policies for multiple insurance companies and can help you compare policies across companies.

Be aware that virtually all companies have raised rates this year to cover increasing materials' cost, policy servicing costs, changing laws, increasing risks and more companies leaving the industry, stopping Florida policies, or becoming increasingly selective of who they insure. Many are refusing to insure older (over 40 yrs) and small

buildings (e.g., garden apartments) and are becoming increasingly inflexible about changing deductible amounts. You may find them extremely busy and difficult to reach during this season.

The following companies are known to be selling policies within CVE. Listing companies here does **not** constitute an endorsement. This listing **may not** be complete or exhaustive.

Insurance companies:

- American Coastal (writes most of the CVE Property policies)
- Vanguard--still insuring 2 story garden apartments
- Assured Partners
- Inguard

Insurance brokers (they deal with the one or more of the above insurance companies):

- Plastridge
- Emerson Poort

Cautions:

- You may be approached by other insurance brokers and agents offering you lower rates. Before you decide to switch brokers or carriers, be sure to consider the following:
 - Likelihood of that company remaining in business
 - Challenge in having difficulty switching in subsequent years as costs continue to rise; **NOTE: be sure to find out if you are 'locked into' a contract with an agent or company that may preclude you from switching in the future. Find out what's needed to change agents/brokers/companies should you need to in the future.**
 - You may find little difference between brokers and companies this year since it is such a 'sellers' market and companies are doing little or no negotiating.
- If you choose to *raise your deductible*, be sure to budget for the difference, since you will be required to pay it if you file a claim

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