

Duval Square Condominium Association
1075, Duval Street, C-24
Key West FL 33040

May 6th, 2023

Dear Unit Owners,

Special Assessment – Property Insurance 2023/24

For those of you who have not been following the Florida property insurance market over the last few years, a quick synopsis:

The market for wind insurance particularly has been under duress since 2016 following hurricanes Matthew, Irma, Michael and last year, Ian. Additionally, claim fraud is rife...9% of property claims nationwide are filed in Florida, yet 79% of lawsuits related to property claims are filed in the State.

In 2020, insurance companies writing in Florida had combined underwriting losses in excess of \$1 billion and again in 2021. Losses in 2022 are expected to be far greater.

Consequently, wind carriers in 2023 are fleeing the State generally, and Monroe County specifically...only three (3) companies are writing commercial wind policies in Monroe County in 2023 vs. seven (7) 5 years ago.

The Association's 22/23 property (wind and fire) premium was \$244,000.

The premium for coverage in 23/24 is \$560,000 - a 130% increase.

The 23/24 premium is effectively \$40,000 per million of insured value; this ties in with our latest property appraisal conducted in January 2023.

In talking with other brokers, this rate per million is "in line" with the market for buildings of our age and construction type.

Our calendar year 2023 Budget includes wind insurance at \$290,000.

Consequently, for the remainder of 2023, the Association is facing an unfunded insurance premium liability of \$204,000.

For further insight into the current wind insurance market, I spoke with David Rogel, the Association's legal advisor, who commented as follows:

- We were lucky to get anyone to offer us coverage in view of the age of the buildings.
- His clients are seeing increases from 30% to 100%+: again, dependent on building age and construction.
- For buildings with roofs over 20 years old (all of ours are) insurers are saying replace before insurance coverage is offered.
- Frontline, our wind carrier, is dropping many existing policy holders.
- Citizens' rates are typically higher than all other carriers.
- By Florida Condo law, all residential properties must carry wind insurance.

Our own Declarations require the Association to carry “all risk” insurance “in an amount equal to the maximum insurable replacement value.”

The “Good” news is...your Association is fully insured for the new premium year from May 1st, 2023 to April 30th, 2024...

The “Bad” news is a Special Assessment is required immediately to fund the premium cost excess vs. the sum projected in the 2023 calendar year Budget.

The Special Assessment is for \$204,000 in total and payments are due as follows:

50% on or before May 31st, 2023

50% on or before September 29th, 2023

If owners wish to settle their obligation here with one payment on or before May 13st, this is, of course, perfectly acceptable.

For those owners who remit to the Association via ACH, payments will be “taken” as per the schedule above unless the Association is so notified to the contrary within 7 days of date of this note.

The Special Assessment by unit is shown on the attached tabulation.

The Board of Directors at its Meeting on April 20th, 2023 voted unanimously to approve the introduction of this Special Assessment.

Sincerely,

The Board of Directors of the Duval Square Condominium Association