To: Unit Owners

From: Dan Sheridan, President

Date: August \_ 2023

Re: Current Insurance Situation

I am writing to explain our current insurance situation. Under Florida law, the Board is required to use its best efforts to provide **full replacement insurance** on the property. Florida Statute 718.111(11)(d). *(“An association controlled by unit owners operating as a residential condominium shall use its best efforts to obtain and maintain adequate property insurance to protect the association, the association property, the common elements, and the condominium property that must be insured by the association pursuant to this subsection.’) 718.111(11)(a) (“*Adequate property insurance, regardless of any requirement in the declaration of condominium for coverage by the association for full insurable value, replacement cost, or similar coverage, must be based on the replacement cost of the property to be insured as determined by an independent insurance appraisal or update of a prior appraisal. The replacement cost must be determined at least once every 36 months.”)

As you know our budget is prepared each winter trying to anticipate costs for the coming year. We have insurance for various potential losses including wind, general liability, flood, worker’s compensation, directors and officers, and crime/bond. We rely on our insurance broker, David Siperek of Statewide Condominium Insurance, to analyze the available insurance companies and policies and recommend the best coverage. The cost for insurance in 2022 was $153,000. Last winter, based on the prediction of our broker, we anticipated that insurance would increase to around $198,000 and that was what we budgeted for.

In fact, insurance came in much higher than projected. With two major hurricanes striking Southwest Florida within a 5 year period (Irma in 2017 and Ian in 2022) and the Surfside Condominium collapse in 2021, many insurers have quit the Florida market. The remaining insurers have hiked their rates and/or lowered their coverage. Because over 50% of our units are available for nightly rentals (condotel), insurers that will write for our market are even more scarce. Consequently, we are left with Citizens, the insurer of last resort (which is both costly and provides limited coverage).

The result is that our insurance is now **$229,750.05** for 2023 (and that is with the first 4 months of the calendar year at the old rate) leaving us $31,883 over our budget. With the Penthouse Association paying its 25% share, **our portion of the overrun is $23,912.**

**Additionally, while our buildings (Tarpon and Dolphin) are appraised at $14,231,367 (based on the most recent appraisal in 2022) for hazard insurance purposes, the maximum available coverage is $4,000,000.**  (See Attached letter from our insurance broker). Despite our best efforts, we are unable to insure the buildings (Dolphin, Tarpon and pump house) for their full replacement value.

There is some good news. Following Irma, we replaced our roofs, windows, sliders and doors to comply with the highest hurricane/wind rating (Miami-Dade) which makes the likelihood of a catastrophic loss more remote.

In order to avoid an immediate assessment to all owners, the Board plans to absorb the excess cost for this year from our reserve. However, in order to preserve our financial stability, that cost will have to be recouped in future COA fees next year.

If you should have any questions or concerns, please do not hesitate to contact me at [dsheridanq@aol.com](mailto:dsheridanq@aol.com)

Attachment