

# CONDOMINIUM ASSOCIATION INSURANCE GUIDE

This summary is to provide information to help Florida Condo Associations understand their financial responsibility when buying Condominium Insurance. Please note that this summary is not intended to be legal advice on the subject. It is recommended that Associations contact their insurance agent and/or attorney for detailed explanation of insurance coverage.

## Condominium Association Coverage

Adequate property insurance 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.

## Deductibles

Policies may include deductibles as determined by the board. The deductibles must be consistent with industry standards and prevailing practice for communities of similar size and age, and having similar construction and facilities in the locale where the condominium property is situated. The deductibles may be based upon available funds, including reserve accounts, or predetermined assessment authority at the time the insurance is obtained. It is important that the association understands how the property loss deductibles apply when purchasing coverage. Deductibles may apply per storm or per calendar year.

## Property Coverage

Florida has three important property coverage's that condominium associations may purchase to protect their property:

- **Fire**
- **Wind/Hurricane**
- **Flood**

**Liability** coverage is available to address claims filed as result of accidental injuries to others and unintended property damage for which the association may become legally responsible.

Other coverage's include:

- **Hired and non-owned auto**

- **Crime/Fidelity Bond**
- **Directors and Officers Coverage**
- **Umbrella**
- **Workers Compensation if Association has employees.**
- **Acts of Terrorism**

## **Flood Risk**

Floods are one of the most catastrophic property loss hazards in the United States. The building doesn't have to be in a designated flood zone to experience a loss due to rising water or wave wash. Florida is surrounded by water and flood insurance premiums are extremely affordable. Condominium Associations are responsible for insuring the entire building for the peril of Flood. It is important to know that the limit National Federal Insurance Program (NFIP) will pay in the event of a building loss is \$250,000 per unit which includes the association and individual unit owner's policies.

Additional Flood coverage is available in the private insurance marketplace if higher limits are needed. Flood Coverage should be purchased based on a property appraisal and the appraisal should differentiate flood and hazard insurables. The Flood Insurance premium is determined by the dollar amount of coverage needed, the designated flood zone, and the deductible selected.

## **General Liability**

Anyone may be sued anytime, anyplace, regardless of fault and General Liability Coverage is available to protect and indemnify the association at the time of a claim or suit from a third party. Policies are usually written with limits of \$1,000,000 per occurrence and \$2,000,000 General Aggregate.

## **Hired and Non Owned Auto**

This coverage is usually added to the Association's General Liability policy and covers liability for the use of rented or loaned automobiles used by your association. Coverage applies if an employee using his/her own car on an errand for you is in an accident which results in damage exceeding their personal auto limit.

## **Excess Liability or Umbrella Coverage**

Umbrella Liability or Excess Liability can provide additional coverage when the limits of insurance on an underlying policy are exceeded. For example, if you have \$1,000,000 coverage under General Liability and you have a claim settlement for \$1,500,000, the umbrella policy would cover the additional amount. Umbrella Liability or Excess Liability policies can provide coverage over General Liability, Hired and Non-owned Auto Liability, Condominium D & O and Employer's Liability. Limits can be written from \$1,000,000 to \$100,000,000 (and up) depending on the association's needs.

## **Fidelity Bond/ Employee Dishonesty**

Employee dishonesty insurance, also known as a fidelity bond, indemnifies the community association for the loss of money, securities or any property because of acts of fraud, dishonesty, forgery, theft, larceny, embezzlement, wrongful abstraction, willful misapplication, misappropriation or any criminal act on the part of directors, officers, committee members, association employees, board members, and volunteers. Coverage also to protect the association against criminal acts by an independent managing agent.

The association shall bear the cost of all such bonding.

## **Directors and Officers Insurance**

Director's and officer's liability insurance (D&O) is necessary when mismanagement of funds by the condo board results in money loss to the association. Typical claims are from misuse of association funds.

## **Workers' Compensation Insurance**

Workers' compensation insurance provides coverage required by state law for injuries to association employees and volunteers that occur on the job. Workers' compensation laws incorporate four types of benefits:

- Disability (loss of income)
- Medical benefits
- Survivor (death) benefits
- Rehabilitation benefits.

Worker Compensation is available to Condo Associations on an "if any" basis with no employees for a minimum premium. If an association has 4 employees Florida Law requires a Workers Compensation policy.

## **Unit Owner Responsibility**

Florida Statue 718.111 (11)(F)(3) defines the building insurance responsibility of the Condominium Unit owner. Owner **responsibility includes:**

- All personal property within the unit or limited common elements
- Floor, wall, and ceiling coverings
- Electrical fixtures
- Appliances
- Water heaters
- Water filters

- Built-in cabinets and countertops
- Window treatments, including curtains, drapes, blinds, hardware, and similar window treatment components

Unit owners are not required to purchase unit owner insurance policies, but if they do, Florida Statue 627.714 requires that the policy contains:

- Property loss coverage of at least \$2,000
- Maximum deductible of \$250

## **Claims Information**

There are a few things that can be done before and after a loss that are very helpful to the property claims adjustor in a claims process.

- Prior to a Loss
  - Take photos of the property
  - Have a current appraisal completed and available for Claims Representative
- After a Loss
  - Do what needs to be done to stop and mitigate damage
  - Save all receipts during temporary repair
  - Take Photos
  - Report claim to your Insurance Agent who will manage your expectations on claims procedure and be your claims advocate throughout the claims process.
  - If anyone is injured on your property call your insurance agent immediately.

2011