



June 2009

To: St. Croix at Pelican Marsh Condominium Unit Owners

From: David Sumner, Risk Manager
Insurance and Risk Management Services, Inc.

Re: Condominium Unit Owner Insurance

The purpose of this letter is to outline various insurance issues relating to your condominium unit. Also enclosed is a brochure titled "Insuring the Condominium" that will provide you with more details, including an insurance checklist.

Hazard Insurance (Fire, Windstorm, Lightning, Water Damage)

Condominium Association:

The association's coverage has been designed to provide coverage for all of the buildings and other association-owned property that is eligible for coverage. The association's coverage does not provide coverage for "Building" items that are the responsibility of the unit owner, for example: floor coverings, wall coverings, window treatments, built-in cabinets, countertops and appliances, tile, electrical fixtures, and plumbing fixtures.

Unit Owner:

Each unit owner must establish a limit of insurance applicable to "Building" or "Additions and Alterations" coverage to provide coverage for the "Building" items that are not covered by the condominium association as referenced above. Be sure to also contemplate any upgrades you have made when determining this limit of insurance.

Other key sections of your unit owner policy to review:

- Contents/Personal Property: Establish a limit of insurance for items like furniture, clothing, etc.
- Loss of Use: Most policies automatically provide this coverage at a limit that is equal to 20% of your Contents limit to provide you with reimbursement for the additional living expenses incurred by you due to a covered loss. This automatic limit may be able to be increased.
- Loss Assessment: If your insurance company provides this coverage they will typically provide a \$1,000 limit and it is recommended that you increase this limit. New legislation effective in 2009 may require insurance companies to provide a \$2,000 limit. This coverage reimburses unit owners for assessments from the association arising from losses the association has incurred.
- Personal Liability and Medical Payments: Limits from \$100,000 to \$500,000 are generally available to provide you with protection for bodily injury and damage to property of others within the unit, or personal activities away from the unit.



Flood Insurance (rising water from storm surge or heavy rains)

Condominium Association:

The association has elected to self-insure for losses caused by “Flood” as defined by the National Flood Insurance Program based on FEMA’s determination that the buildings are located in a lower risk Flood Zone.

Unit Owner:

Each unit owner would need to establish their own Flood Policy in order to have coverage for losses due to Flood applicable to their unit.

Proof of Insurance for Mortgage Companies

Mortgage companies for individual unit owners will require evidence of the association’s Property Coverage. They may communicate this to you by requesting a “copy of the association’s policy” or “proof of coverage”. We will satisfy these requests by sending the mortgage company a “Certificate of Property Insurance” issued by our office that will certify the coverage in place on the applicable building occupied by the unit owner.

Please send your requests for Proof of Coverage to our office as soon as you receive the request from your mortgage company. You can request the proof of coverage to be issued by IRMS a few different ways:

1. Access our website at www.irmsinc.com and go to the “Business Insurance” section of “Service Center” option and click on “Proof of Property Insurance Request” and simply fill out the information and submit your request. OR
2. Complete the applicable “Proof of Insurance Request” form (*attached*) and fax it to IRMS. OR
3. Fax your mortgage company’s request directly to IRMS at 239-649-7933.

If you have any questions regarding the issuance of the proof of coverage you can contact our Proof of Insurance department at 239-649-1444 x777 or 800-649-0056 x777.

St. Croix at Pelican Marsh - IRMS Service Team

Association Insurance Contacts:

- David Sumner, Risk Manager
239-649-1444, x367
- Proof of Insurance Department
239-649-1444 x777 or 800-649-0056
- Patty Pierson, Client Service Manager
239-649-1444, x401
- Jane Boltrek, Claims Manager
239-649-1444, x405

Personal Insurance Contacts:

- Dawn Zettler, Risk Manager
239-649-1444, x406
- Proof of Insurance Department
239-649-1444 or 800-649-0056 x777

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*** "PROOF OF INSURANCE" REQUEST ***

Company: St. Croix at Pelican Marsh Condominium Association, Inc.

From: _____

Please note: You may fax the unit owner's request from the Bank directly to us at 239-649-7933 or fill out the following for your convenience:

Unit Owner's Name: _____

Address: _____

City, State and Zip: Naples, FL 34109

Loan Number: # _____

Mortgagee/Bank: _____

Address: _____

City, State and Zip: _____

Fax or email to the Certificate Holder at: _____

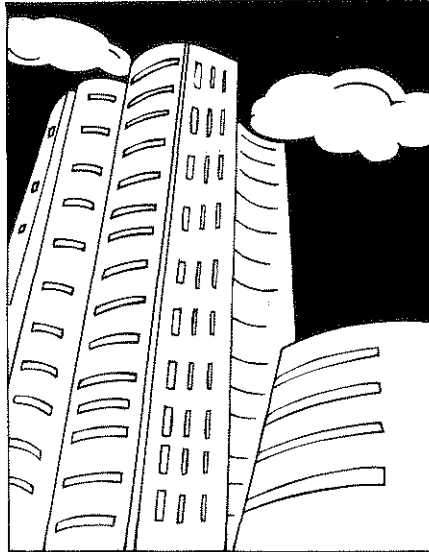
Attention: _____

Please also fax or email a copy of the evidence of coverage to:

Fax or Email: _____

Attention: _____

INSURING THE CONDOMINIUM



An Insurance Guide for Florida Condominium Unit Owners

Presented by your:
Independent Insurance Agent



Tel: (239) 649-1444
Toll Free: (800) 649-0056
IRMSinc.com



Introduction

Along with the many advantages inherent in the unique characteristics of condominium home ownership, there are unique insurance hazards and problems. Fortunately, there are also unique insurance products designed to deal with these hazards and reduce risks of financial loss.

The condominium declarations and bylaws, along with certain Florida Statutes, set forth the responsibilities and risks assumed by the association and those assumed by the individual unit owners. Because there is no standardization of condominium documents, it is critical that unit owners consult with their insurance agent to properly insure the condominium unit.

This booklet was prepared to help the Florida condominium unit owner gain a basic understanding of condominium insurance issues. The information here is a general guide only; unit owners should refer to their policy for exact policy language. The technical coverage discussion is based on the current Insurance Services Office (ISO) homeowners program, and readers should keep in mind that policies vary with individual companies. Our agency will be pleased to discuss policy contract provisions with you at any time.

The Florida Condominium Unit Owners Policy

This form of protection is a variation upon the popular homeowners "package" protection utilized by most residence owners and renters. It provides protection against a wide range of hazards for personal property both at and away from the condominium unit, for additions and alterations to the unit, and for liability protection against injuries or damage to others arising from the unit itself or personal activities away from the unit. In addition, there are numerous options to expand the basic coverage.

1. Coverage on Personal Property

The condominium unit owners policy covers personal property (clothing, furniture, etc.) against many perils including fire, windstorm, vandalism, and theft anywhere in the world. It is the unit owner's responsibility to establish the desired amount of coverage. This amount may be based upon replacement cost or actual cash value (the latter being replacement cost less allowance for depreciation). For this purpose, it is recommended that a household inventory be prepared. This will not only establish an appropriate amount of insurance, but also will assist in making a claim in the event of a loss. The personal property coverage limit selected by the unit owner should be adequate to replace all personal property.

Prepared as a Public Service by the:

FLORIDA ASSOCIATION OF INSURANCE AGENTS

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The most common deductible applicable to each property loss is \$500. Usually, arrangements may be made for other deductibles. A separate deductible usually applies for losses due to windstorm during a hurricane, and this deductible is normally significantly higher than the regular policy deductible.

Special limits apply to certain types of property such as money, securities, jewelry, furs, silverware, watercraft, and guns. The special limits vary in some company policy forms from \$200 to \$2,500 or more. Often, these limits can be increased, or the unit owner may purchase a "personal articles floater" policy on certain types of valuable property such as jewelry, furs, fine arts, silverware, musical instruments, photographic equipment, golfers' equipment, stamp and coin collections, or other eligible items.

Theft coverage in the basic unit owners policy is excluded if the unit is rented to others. The policy may be amended to provide such coverage.

2. Unit Owners Additions and Alterations

Under the association master policy, the statutes exclude certain building items as well as unit owner additions and alterations. Thus, the unit owner must insure these to be protected from the financial consequences of loss. Per the statutes, the following items are not covered by the master policy: floor coverings; wall coverings; ceiling coverings; electrical fixtures; appliances; water heaters; water filters; built-in cabinets and countertops; and window treatments, including curtains, drapes, blinds, hardware, and similar window treatment components, or replacements of any of the foregoing. Air conditioning and heating equipment was excluded prior to the 2008 legislative session, but as of January 1, 2009, the master policy no longer excludes this equipment. This area of loss exposure demands the close attention of the condominium unit owner.

The statute states that the insurance that the association provides on condominium buildings must include, "all portions of the condominium property as originally installed or replacement of like kind and quality, in accordance with the original plans and specifications." It is important to note that the policy carried by the condominium association will apply only to those interior items "initially installed, or replacements thereof of like kind or quality, in accordance with the original plans and specifications." Any interior items additionally installed by the unit owner after acquisition of the unit, or any increase in value created in upgrading the existing interior items, would have to be protected by the unit owner.

Items such as new interior walls, customized closets, and upgraded bathroom fixtures are examples of such additions or alterations, which are the insurance responsibility of the unit owner. To avoid under or over-insurance, the unit owner should clearly identify the property for which there is personal responsibility to insure. If in doubt, or in the event the condominium documents are unclear as to the particular areas of responsibility between unit owners and the association, the best recommendation would be to increase the amount of coverage the unit owner maintains for additions and alterations. It is also important to determine whether or not the condominium association carries a high deductible, which may preclude the payment of relatively minor damages on interior unit items under the association policy. If so, coverage should be provided by the unit owner. Additionally, the statute allows condominiums to alter their bylaws in a manner that may make a loss confined to a single unit the sole insurance responsibility of the unit owner. Thus it is critical that the bylaws be read to see how losses such as this (or losses below an association deductible) are allocated after a property loss.

The unit owner should know the cost of building items and the additions and alterations made at personal expense. Establishing an amount of insurance deemed adequate for a serious or total loss to the additions and alterations is most important because quality and quantity varies so greatly among unit owners. While there is no "magic number" for an adequate amount of insurance, suffice it to say that limits in the tens of thousands of dollars have been inadequate after a major loss. It is not uncommon to find limits well above \$100,000 on some policies. For some condominium units in "upscale" associations, limits above \$1 million are found at times. Only the unit owner knows what an adequate limit is. Building items as well as additions and alterations are normally valued on a replacement cost basis, not a depreciated value, so it is critical that this fact be taken into consideration when selecting a proper limit.

The limit on additions and alterations may be increased to any desired amount (subject to insurance company underwriting) and the perils may be broadened from "named peril" to "special coverage" (subject to certain exclusions). With so many items specifically eliminated from coverage under the condominium association policy, special consideration should be given to these coverage improvements and an increase in the amount.

3. Other Property

If the condominium unit owner personally owns a separate, detached structure on the association premises (such as a carport, storage building, or cabana), it may be covered under a unit owners policy for the same perils that apply to additions and alterations (as long as the structure is not rented to others nor used for business purposes). Increased coverage for these other structures is typically available.

4. Loss of Use

The condominium unit owners policy covers the additional (above normal) living expenses incurred during a period of time when the unit is unfit to live in because of damage to the unit or to the building from a peril insured against. The basic limit of coverage that is automatically included is 50 percent of the limit selected to cover personal property. With some insurers, this limit may be increased.

When the unit owner purchases the option to broaden coverage for rental of the unit to others, as described under "Coverage on Personal Property," that option also provides for application of the Fair Rental Value coverage to loss of rents that would have been realized during the period of time the unit was unfit to live in.

5. Personal Liability and Medical Payments

The condominium unit owners policy includes protection against claims for bodily injuries and damage to property of others arising from within the unit or personal activities away from the unit. In addition, and without regard to whether or not the unit owner is legally liable, the policy pays for medical bills incurred by others who do not reside in the unit and are accidentally injured in the unit or arising from personal activities of the unit owner. The basic limit for liability is \$100,000, and the basic limit for the medical payments coverage is \$1,000. Many insurers offer increased limits. While not available under the Homeowners policy, many persons buy a separate "personal umbrella policy" to provide protection against a catastrophic judgment. For example, a liability limit of \$300,000 might be selected for the condominium unit owners policy with a personal umbrella policy increasing this protection by \$1,000,000 or more.

If any business pursuits are conducted in the unit, or if the unit is rented to others, your agent should be fully informed to assure proper protection under the policy.

One of the more important limitations of the liability and medical payments coverage relates to watercraft. Limited coverage is provided for the use of some watercraft. In order to assure proper coverage, unit owners should discuss coverages with their agent on watercraft they own, rent, or borrow.

Another area of concern is golf carts owned or used by the unit owner. Whether owned, rented, or borrowed by the unit owner, coverage under the unit owners policy is limited. Options should be discussed with the agency. The same recommendation applies to other recreational vehicles such as four-wheelers, go-carts, and Segways. Coverage for any type of motorized vehicle should be discussed with the agency.

Unit owners are advised to be aware of and satisfied with the liability insurance carried by the condominium association. Be sure that (1) an adequate limit is carried by the association, and (2) the association policy provides that unit owners are individually protected in the event of a claim directly against them.

6. Loss Assessment Coverage

If the condominium association suffers a loss or claim not insured by the association, the unit owners may be assessed for the necessary funds which must be raised. This again makes it incumbent on all unit owners to be aware of and satisfied with the insurance program of their association.

Unit owners may, however, take steps to avoid or reduce the financial consequences assessment losses by purchasing additional "Loss Assessment Coverage" as an option under their own condominium unit owners policy. While \$1,000 is usually included in most policies, that amount is seldom adequate and should be increased on most policies. This coverage reimburses unit owners for assessments from the association arising from (1) property losses to association property, if covered by a peril insured against under their own unit owners policy; (2) liability losses covered under their own unit owners policy; and (3) Directors and Officers claims arising from acts of elected directors, officers, or trustees serving without income.

Examples of the need for this coverage include assessments for (1) a large liability claim exceeding the limit of the association's coverage; (2) loss to the association's property by a peril not insured against in the association's policy but covered by the unit owners policy; (3) a property loss wherein the association's amount of insurance was inadequate; or (4) a property loss wherein the association's insurance did not respond because of a high deductible. In the case of an assessment to the unit owner as a result of the association's deductible, no more than \$1,000 will be paid under each unit owners policy even if an increased amount of Loss Assessment Coverage is selected. Some companies, however, will pay more than \$1,000 for an assessment due to a deductible, depending on policy wording.

It is emphasized that this option does not cover assessments from every cause. For example, if the association were to assess unit owners as a result of flood damage, any assessment for such a loss is not covered by Loss Assessment Coverage because the condominium unit owners policy also does not cover flood or rising waters. A flood policy is available to cover such an assessment. Likewise, assessments for routine items such as normal roof replacement, repaving the parking lot, and routine painting are not covered by this coverage.

In 2008, the Legislature amended the statute to state that a unit owner policy shall include \$2,000 of "special assessment" coverage. Most legal and insurance professionals are in agreement that the intent of the Legislature was to have addressed "loss assessment" coverage and not create a new type of coverage for any "special assessment" such as routine painting. Many insurance companies will provide this \$2,000 loss assessment coverage while some may not yet do so.

If this increased loss assessment coverage is desired, it is difficult to make a decision on the appropriate amount of coverage to be purchased. While this decision must be made by the unit owner and should be based on knowledge of and the degree of satisfaction with the insurance carried by the association, this agency will gladly provide counsel and advice.

7. Rental of Unit to Others

Special policy provisions should be made whenever your unit is rented to others, whether it be on a short-term or a long-term basis. A separate insurance contract may be necessary if the unit has been purchased for investment purposes and is rented to others continuously. Failing to properly structure the unit owner policy for the rental of a unit could result in significant coverage gaps.

8. Flood Insurance

Losses due to flood damage are not covered by the standard unit owners policy. Coverage for both building damage and damage to personal property is normally available from this agency through the National Flood Insurance program. We urge all unit owners to consider purchasing flood insurance.

9. Association as Additional Named Insured

In 2008, the Legislature amended the statute to require that the unit owners policy provide "additional named insured" status to the condominium association. The state senator who sponsored the bill stated that the intent of this change was only to structure the unit owner policy in a manner that would result in the association's name being on a claim check when building items that are the unit owner's responsibility to insure were damaged. Few, if any, insurance companies will provide this "additional named insured" status under the unit owners policy. Additionally, it is likely that this requirement will be modified or eliminated in future legislative sessions. We urge you to discuss the options available for this requirement with our agency.

10. Mandatory Unit Owner Coverage

In 2008, the Legislature amended the statute to now state, "The association shall require each owner to provide evidence of a currently effective policy of hazard and liability insurance upon request, but not more than once per year. Upon the failure of an owner to provide a certificate of insurance issued by an insurer approved to write such insurance in this state within 30 days after the date on which a written request is delivered, the association may purchase a policy of insurance on behalf of an owner." Therefore, your association may require you to obtain an insurance policy and if you elect not to do so, the association is permitted, if they so choose, to obtain a policy on your behalf and pass the costs along to you. Whether your association requires you to obtain insurance or not, this agency recommends that you carry such a policy.

Other Forms of Insurance

The foregoing information briefly describes the condominium unit owners policy and principal options, which is the sole purpose of this booklet. Other kinds of coverage not unique to condominium unit owners needs, such as automobile, life, and health insurance, may be appropriate.

As an independent insurance agency, we will be happy to consult and advise on all forms of coverage.

Insurance Checklist

PERSONAL PROPERTY COVERAGE

- Estimated actual cash value: amount to apply within unit
OR Estimated replacement value:
\$ _____
- Special limits (money, securities, jewelry, furs, silverware, guns, boats): \$ _____
- Floater coverage (jewelry, furs, fine arts, silverware, cameras, sporting goods, etc. - itemized): \$ _____
- Rental Coverage
- Theft Coverage Extension
- Flood
- Other: _____

ADDITIONS AND ALTERATIONS

- Estimated replacement value: amount of coverage
\$ _____
- Broadened perils ("special" coverage)
- Flood

ADDITIONAL LIVING EXPENSE

- Amount of coverage \$ _____

OTHER PROPERTY

- Estimated actual cash value: amount of coverage
\$ _____

PERSONAL LIABILITY, MEDICAL PAYMENTS

- Personal Liability limit \$ _____
- Medical Payments limit \$ _____
- Watercraft Liability
- Personal Umbrella Liability limit \$ _____

LOSS ASSESSMENT COVERAGE

- Amount of coverage \$ _____