

Jan. 2021

The Residences at Ocean Drive Condominium Associations

R1: 901 West Ocean Drive Key Colony Beach, FL

R2: 921 West Ocean Drive Key Colony Beach, FL

Insurance Review.

Objectives: 1) Obtain an Insurance Agents' review of all of our existing policies.

Request recommendations that might better serve our insurance needs. This would include a review of coverages, limits, premiums, premium payment schedules, deductibles, underwriters ratings and etc.

Reach out to 3 different insurance agencies that serve our area.

There are very limited markets available in South Florida, especially Monroe County. 3 agencies are going to be trying to access the same market. At this time, we **are blocked** from several other main carriers that you currently don't work with. In all likelihood, Keys Insurance Services has performed their normal renewal remarketing efforts which typically begins 90 to 120 days prior to renewal. After reaching out to several other insurance carriers that you aren't already insured with, they already have an application submission which blocks our availability of that particular market.

It may turn out that some of the carriers you're already insured with, have the most favorable terms for you at this time. The only way we would be able to proceed with any blocked markets would be an agent re-assignment to our office.

2) Address specific questions and comments raised by our members.

We would like to see written responses from each agent to each of the questions and comments.

3) Address Risk Management.

Look at areas where we can be pro-active in reducing our exposures and thus reduce our premiums.

The National Flood Insurance Program (Assurant / American Bankers is a “write your own” flood policy within the NFIP) is the market that is available. We have performed extensive marketing efforts on behalf of other condo associations in Monroe with no luck in private carrier placement.

Unfortunately, the NFIP caps coverage at \$250,000 value per unit. However, some of the exposures for the interior will also be available on an NFIP policy for the individual unit owner, thereby reducing the necessary limits by the association.

4) Consider partial self-funding by accepting larger deductibles.

Look at different levels of deductible for each policy in order that we can be able to discuss the costs vs. risks.

Each carrier can offer quotes on various deductibles however it is typically a very small premium savings as compared to the extensive risk assumed with a larger deductible. As we don't have access to the markets, we are unable to provide quotes and their variables.

5) Attempt to schedule all policies for renewal on the same date each year.

A common anniversary date is certainly desirable. Unfortunately, NFIP and Citizens will not perform a cancel / re-write to amend the dates. The only way to accomplish a change in date is to let the policy lapse and then re-write it with the desired effective date. Other policies can be short termed or cancelled and rewritten to accomplish common dates. **August wind renewal is Citizens and**

difficult to change... would require a lapse and re-write (not recommended). August (hurricane season) is a bad renewal date!
Move other policies to August?

6) Review the 2019 (or more current) Florida Condominium Insurance Statute 718 for compliance.

Existing Policies:

1) General Liability.	(Aspen Specialty Insurance)
R 1 Renewal	30 June 2021
R 2 Renewal	7 March 2021
2) General Liability Umbrella.	(Aspen Specialty Insurance)
R 1 Renewal	30 June 2021
R 2 Renewal	7 March 2021
3) Commercial Property.	(Great American Insurance)
R 1 Renewal	30 June 2021
R 2 Renewal	7 March 2021
4) Wind.	(Citizens Property Insurance)
R 1 Renewal	29 Aug. 2021
R 2 Renewal	7 March 2021
5) Flood.	(American Bankers Insurance)
R 1 Renewal	8 April 2021
R 2 Renewal	1 April 2021

Note: The current General Liability Policy for R 1 has a rider that provides coverage for Directors and Officers (\$ 1 M limit) and also one that provides coverage for Crime (\$ 100 K limit).

Steve has a digital copy of policies 1 through for 5 for R 1 and can e-mail them to you at your request.

Insurance Agencies: 1) Eagle American Insurance Agency.

D/B/A as Keys Insurance Services. Marathon Fla.

(Our current agent)

Mel Montagne

mel.montagne@ioausa.com

305-537-2781

2) Marshall Sterling Insurance. Wellington Fla.

Missy (Melissa) Sullivan

msullivan@marshallsterling.com

1-800-836-3046 Ext. 2637

(Jim has had experience with them at Key Colony Point. He has contacted them, and they are interested in our business.)

3) Brown and Brown Insurance. Homestead, Fla.

Lori Lane

llane@bbins.fl

305-951-0233

(Lori works with Alan Lund who was referred to Jim by our atty. David Rogel.)

Members Questions: 1) G.L.

A) Should the condo building and detached garage be itemized? [The ISO \(Insurance Services Office –](#)

governing body for rules and classification publications) show that general liability is rated based on the # of units. Additional charges are appropriate for Swimming pools, bathing beaches, indoor parking and boat moorage facilities. The garage exposure is automatically included in the primary condo classification. We would like to see the detached garage itemized on all of the appropriate policies in order to avoid any ambiguity. I doubt that a carrier will list is separately. It can however be specifically listed on the application which is signed by the insured and the agent. That would clear the intent of coverage if there were a claim and this was questioned.

- B) Should the elevators be listed as an exposure? No, same as "A".
- C) Should the beach be listed as an exposure? Yes, this needs to be listed and charged for as explained in item "A".

It appears from our existing plot plan that we do own at least some of the beach.

- D) What is our Crime exposure? The crime coverage limit is mandated by state statutes to equal at least the amount you would have at risk in your accounts at any given time. With insurance settlement cash, the crime policy coverage should be increased. Does it include misconduct by Officers and/or Board Members? Yes, that is the basis for the employee dishonesty coverage. Does it include misconduct by our accounting firm Cruz Morato & Associates? The policy should be written to include their misconduct but the current policy for Residences II does NOT include this endorsement. Need COI's 1) Crime 2) 3rd Party Dishonesty.

Based upon the Fla. Condo Insurance Statute we may be under-insured on this item.

- E) The G.L. provides coverage for a number of misc. exposures. Can we see a menu of these items, with their corresponding impact on the total premium, and then decide to keep them or not on an item by item basis? [The rating worksheet for a quote can show these coverages which can be provided to you for further review.](#)
- F) Does loaning or renting a unit have an effect on our coverage? [If renting units on a short term basis is performed. Citizens considers short term an ineligible operation for coverage.](#)
- G) We have a lot of small contractors (?) that come and go here. Cleaning people, painters, repairmen and etc. Many of them probably do not have adequate insurance. What is our exposure in the event that one of them is hurt while on the property? [You have a huge exposure if they do not come with their own general liability and workers' compensation coverage. A certificate of insurance from their insurer \(agent\) should be obtained showing these coverages. Their general liability should be at least \\$1mm limit per occurrence and their workers' compensation should be in force in their name. This can be initially confirmed by visiting the State website of <https://proofofcoverage.fldfs.com/Search>. Please note if a sub contractor provides workers' compensation through an employee leasing company that ONLY the "official" employees of the sub contractor is insured under the policy. So, if a sub contractor brings helpers and only provides an exemption for themselves or a not fully staffed employee leasing arrangement, the helpers brought on the job are not insured and their injuries become](#)

your responsibilities. If they do not carry general liability coverage, you become responsible from both an injury standpoint as well as a directors' and officers' standpoint as failing to secure insured workers', therefore putting the association at risk.

Must have G/L and W/C COI's (properly endorsed), i.e., Christian, Rainbow Roofing, Eagle Roofing, McKeon, Islamorada Pools, Irrigation, Fire Protection, Elevators, Pressure Washer, CMA, Beach Maintenance, Window Cleaning, MGD (trash). O'Reilly Electric, Plumber,

Need Cyber Liability Coverage... i.e., if R1 related email with virus is sent and infects another.

2) Umbrella

A) Does this policy cover the same 'additional insureds' as the G.L. ?

B) Does this policy also cover Crime?

C) We have owners here who all appear to have substantial personal assets. Is \$ 5M providing us with enough of an umbrella? We would like to see some options to increase this coverage stepping up in increments from the \$5 M level to \$ 10 M. Likely best that individuals purchase umbrella adequate to their needs.

3) Property

A) Should the condo building and detached garage be itemized? Yes

B) Why is the policy limit \$ 2,908,849.00 ? This is 85 % of the \$ 3,415,000.00 building replacement value that we use for the Wind policy.

C) Do we have coverage here on the pool? **No**

D) What is the definition of 'Equipment Breakdown '?

4) Wind

A) Should the condo building and detached garage be itemized?

B) Citizens Property Insurance is the State of Fla. insurance co. which was created to provide insurance where no private insurance is available. Is Citizens our one and only choice for Wind coverage?

Note: R 1 has an appraisal for Wind Insurance that is dated 8 Jan. 2020. This appraisal is without interior finishes. Replacement value shown is \$3,391,114.00.

5) Flood

A) Should the condo building, and detached garage be itemized? **Yes**

B) Why is the coverage amount, and the building replacement cost, less than that for the Property policy value and the Wind policy value ?

C) Do we have coverage here on the pool? **No**

D) Is FEMA involved in setting our flood insurance premiums? Will other insurers have essentially the same premium requirement for flood insurance as does American Bankers?

E) We currently participate in the N.F.I.P. (National Flood Insurance Program) which is backed by the federal

government. We currently have coverage in the amount of \$ 1.25 M, which is the maximum that we are allowed under the N.F.I.P. It appears that additional flood coverage can be obtained that doesn't come with any government participation. Should we be considering purchasing additional coverage?

Note: R 1 has an appraisal for Flood Insurance that is dated 8 Jan. 2020. This appraisal is with interior components. Replacement value shown is \$4,418,527.00. Interior components anything nailed down... cabinets R1 or Owners?

6) Work. Comp.

A) We currently do not have Workman's Comp. Insurance. Do we have any exposure here? You absolutely have an exposure to this as previously indicated.

B) Should we have W.C. coverage for our occasional part-time hourly workers such as property manager S. McKeon? Yes, you should obtain and carry a workers' compensation policy. This would provide coverage for any part time, full time, occasional workers that you use. It would also cover an uninsured sub-contractors employee for on your job injuries however if it is your practice to use uninsured subs, a carrier will not want to offer you coverage. If uninsured injured onsite or related to job (say in vehicle) need W/C.

C) Do we really have any employees? Yes Or is everyone who provides a service here an independent contractor? We have no payroll, no with-holding nor do we do any W-2 reporting for anyone. See the State statute at the end of this document.

D) We should have current Certificates of Insurance for all of our service providers. What should we establish as minimum required limits? How should we address the un-insureds, such as the local cleaning people? Pay them as employees and insure them on a work comp policy. Owners must provide COI's??? Or require by Policy and any issue would be Owner liability?

7) Other General Questions and Comments.

A) Are all policies, both existing and proposed, written by companies A+ rated by A.M. Best? To be presented with proposal.

B) Do all of our coverages provide us with adequate protection? Additional limits and coverages can be discussed further.

C) Do any policy clauses justify serious consideration and review? Until we have policies to offer and are able to read through the entire policy forms, we are unable to answer that question.

D) Do we have any possible scenarios where a claim can be denied due to insufficient coverage?

E) How are the premiums calculated for each policy? Each policy type has a premium basis:

General Liability – Rate per “units” (living units/members, pools, etc.)

Workers’ Compensation – Rate Per \$100 of payroll (or uninsured sub contractor cost). These rates are published by the State of Florida. Annual audit.

Property – Rate per \$100 of property values

F) What specific factors, both positive and negative, affect the policy premiums? Claims history,

housekeeping of premises, past non-renewals for cause (poor upkeep and maintenance), Building features such as age of roof, type of roof, age of plumbing and electrical, operational sprinkler system, windstorm mitigation features such as all openings (doors, skylights, windows) be protected by County approved opening protection.

G) How do our coverages compare with those of other comparable condo associations here in the Keys? What you currently have is comparable however additional policies and limits are recommended.

H) What kind of claims processing support does each prospective insurance writer provide for us? Each carrier has claims departments. For property, wind and flood, the carrier's contract with an independent adjusting firm and an adjuster is assigned. What is provided by the producing agent? Our office can assist with filing of claims, follow up with adjuster's status and can be a liaison with the adjuster or carrier to assist in getting the claim to an agreeable solution. Most liability carriers have in-house adjusters, and they contract with a law firm to represent you.

I) During the policy periods, what communications may we expect from the insurers and the agent? Typically, carriers send inspectors each year to visit the premises and look for any safety hazards, building deficiencies that have to be addressed. They send a request for specific improvements to the agent at which time the agency will reach out with the requirements to be handled. The agency reviews policies, forwards them to the insured, issues certificates of insurance for lenders, etc., usually on behalf of the unit owners for the association coverages. About 120 days prior to renewal,

we meet with the insured to obtain any updated information and start the renewal marketing process. Based on carrier responses, we try to provide renewal presentation 30 days prior to expiration.

J) Why would our property appraisal for Wind Insurance be without interior finishes while the separate appraisal for Flood Insurance includes interior components? The policies are designed this way. As previously mentioned, the flood policy is broader but with limited values and the unit owner policy is broader and provides additional limits.

K) We would like a written narrative that describes what to expect during the annual renewal process in the way of assurances that our account is receiving a thorough annual evaluation by our agent.

Our internal review of our accounts starts ahead of time so that we can comply with the industry application submission dates.

- Some carriers accept applications 120 days in advance, some 90 days in advance, some less. Our applications on your behalf have been sent to the various markets (mostly wholesale brokers for broad market access) for consideration of approval and pricing.
- Quite often we submit our applications, aka “submissions” to market using this timeline and then have a preliminary renewal meeting with the insured about 90 days before expiration, which in this case is July 13th. For accounts where there are a lot of changes in scheduled items such as vehicles, equipment, locations, etc. we meet with the insured prior to the 120 day mark.
- Quotes are typically secured within 30 days of expiration as quotes are only valid for a period of 30 days. For condo associations, we request quotes 45

days prior to expiration but it's an extremely rare occasion when we get them that far in advance.

- The application and supporting documents submitted to an insurance carrier, aka "first in" secures the carrier for that broker and agent for access to that carrier, and blocks other brokers and agents from working with that carrier. Sending submissions to multiple brokers often results in duplication of efforts and only the "first in" is allowed access.
- On occasion, an "agent of record" letter is obtained, signed by the board, to transfer a submission or policy for a broker or carrier previously used or blocked. Sometimes agent of record letters are signed without full disclosure that the action will be taking the previous broker or agent out of the mix. Those can be undesirable practices, if a clear understanding of the action and consequences of those actions is not apparent to all parties.
- Sometimes, a market assignment is secured up front before anyone goes out to market. Agent "A" will be allowed to access a certain list of markets and Agent "B" will be allowed to access a certain list of markets and may the best win.
- 30 Days before expiration (if not before) , we hope to have all of the quotes and be ready to present our renewal proposal to you.

Insurance carriers' reserves have been reduced due to catastrophies, not just here (Hurricanes Irma and Michael in the panhandle) but wildfires and floods wiping out entire communities. Reduced reserves equates to reduced capacity to offer coverages and increased pricing. There are not very many insurance carriers offering windstorm coverage in Monroe County. Some have starting premiums at the \$100,000 premium level.

Brown & Brown, Inc. is an Insurance Intermediary with offices through the United States and London, England. We have retail offices such as ours and wholesale broker offices throughout the country. We are a publicly traded company started before 1959. Our office, also known as T. R. Jones & Company was started in 1947 and continues operations until current day. In 2010 we were acquired by Brown & Brown however that change has only expanded our capabilities and insurance carrier market access.

Our office services your account as a team. As you know, I would be your agent, your service team would include an account manager and her assistant, who provide day to day service for your needs. The account manager holds the same property & casualty license as I do and service a number of clients, most of which are condominium associations.

Workers' Compensation State Statute regarding how/what constitutes an "employee".

(15)(a) "Employee" means any person who receives remuneration from an employer for the performance of any work or service while engaged in any employment under any appointment or contract for hire or apprenticeship, express or implied, oral or written, whether lawfully or unlawfully employed, and includes, but is not limited to, aliens and minors.

(b) "Employee" includes any person who is an officer of a corporation and who performs services for remuneration for such corporation within this state, whether or not such services are continuous

(c) "Employee" includes:

1. **A sole proprietor or a partner who is not engaged in the construction industry**, devotes full time to the proprietorship or partnership, and elects to be included in the definition of employee by filing notice thereof as provided in s. [440.05](#).

2. All persons who are being paid by a construction contractor as a subcontractor, unless the subcontractor has validly elected an exemption as permitted by this chapter, or has otherwise secured the payment of compensation coverage as a subcontractor, consistent with s. [440.10](#), for work performed by or as a subcontractor.

3. **An independent contractor working or performing services in the construction industry.**

4. A sole proprietor who engages in the construction industry and a partner or partnership that is engaged in the construction industry.

(d) "Employee" does not include:

1. **An independent contractor who is not engaged in the construction industry.**

a. In order to meet the definition of independent contractor, at least four of the following criteria must be met:

(I) The independent contractor maintains a separate business with his or her own work facility, truck, equipment, materials, or similar accommodations;

(II) The independent contractor holds or has applied for a federal employer identification number, unless the independent contractor is a sole proprietor who is not required to obtain a federal employer identification number under state or federal regulations;

(III) The independent contractor receives compensation for services rendered or work performed and such compensation is paid to a business rather than to an individual;

(IV) The independent contractor holds one or more bank accounts in the name of the business entity for purposes of paying business expenses or other expenses related to services rendered or work performed for compensation;

(V) The independent contractor performs work or is able to perform work for any entity in addition to or besides the employer at his or her own election without the necessity of completing an employment application or process; or

(VI) The independent contractor receives compensation for work or services rendered on a competitive-bid basis or completion of a task or a set of tasks as defined by a contractual agreement, unless such contractual agreement expressly states that an employment relationship exists.

b. If four of the criteria listed in sub-subparagraph a. do not exist, an individual may still be presumed to be an independent contractor and not an employee based on full consideration of the nature of the individual situation with regard to satisfying any of the following conditions:

(I) The independent contractor performs or agrees to perform specific services or work for a specific amount of money and controls the means of performing the services or work.

(II) The independent contractor incurs the principal expenses related to the service or work that he or she performs or agrees to perform.

(III) The independent contractor is responsible for the satisfactory completion of the work or services that he or she performs or agrees to perform.

(IV) The independent contractor receives compensation for work or services performed for a commission or on a per-job basis and not on any other basis.

(V) The independent contractor may realize a profit or suffer a loss in connection with performing work or services.

(VI) The independent contractor has continuing or recurring business liabilities or obligations.

(VII) The success or failure of the independent contractor's business depends on the relationship of business receipts to expenditures.

c. Notwithstanding anything to the contrary in this subparagraph, an individual claiming to be an independent contractor has the burden of proving that he or she is an independent contractor for purposes of this chapter.