

# INSURANCE REPORT

## INSURANCE NEWS FOR CONDOMINIUM UNIT OWNERS & ASSOCIATIONS

### CONDO UNIT & ASSOCIATION COVERAGE CHANGES

#### NEW FLORIDA CONDO LAW CHANGES FOR UNIT OWNERS & ASSOCIATIONS

##### 2008-2010 CONDO LAW CHANGES

During the 2008 legislative session, Senate House Bill 601 made changes to the statute that addresses how insurance coverage must be provided under the condominium master policy and the individual unit owner policies. This bill made changes to parts of Chapter 718 of Florida Statutes dealing with condominium insurance issues.

The revised statutes that were made effective on January 1, 2009 are as follows:

- The Condominium Association's insurance must be based on the replacement cost of the property as determined by an "independent insurance appraisal" performed every 36 months.
- The board may determine the deductible on the property, subject to revised language in the statute.
- **Air conditioners** are no longer on the list of excluded property under the master policy and items such as wall coverings, cabinets, and other items remain essentially unchanged.
- The statute states that **the unit owner policy shall include "special assessment" coverage of no less than \$2,000.00.**
- The association shall require the **unit owner to produce evidence of insurance.**



- **Improvements and alterations made by unit owners that benefit fewer than all residents (such as an enclosed balcony) shall be insured by the unit owner.**
- The **unit owner policy shall name the association as an Additional Named Insured. Deleted in 2010.**
- Reconstruction work after a loss shall be undertaken by the Association, except where noted in the statute.
- All hazard insurance deductibles, uninsured losses, and other damages in excess of hazard insurance coverage under the hazard insurance policies maintained by the association, are a common expense of the condominium. The bylaws can be amended to alter the way such losses are allocated.
- The association shall require each unit-owner to provide evidence of insurance once per year. If not the association may purchase the coverage and assess the unit-owner. **Deleted in 2010, but still required by Condo Bylaws.**

- The association must be an "Additional Named Insured" and "Loss Payee" on hazard policies issued to the unit owner. **Deleted In 2010.**
- Association by amending the by-laws (by majority vote) may opt out of the allocation of or repair or reconstruction expenses.

The statute still maintains many of the earlier rules for Condo coverage and certain parts of "Building" property remains the insurance responsibility of the unit owner and are not covered under the Association policy. These include:

- **All personal property within a condo unit**
- **Floor coverings**
- **Wall coverings**
- **Ceiling coverings**
- **Electrical fixtures**
- **Appliances**
- **Water heaters**
- **Water filters**
- **Built-in cabinets & countertops**
- **Window treatments such as curtains, drapes, blinds or hardware.**

The master policy now covers, heating ventilating and air conditioning HVAC. This include air handlers, heat pumps, thermostats, compressors, and duct work whether located inside the unit or not.



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#### 2003 CONDO LAW CHANGES

The declaration of condominium (“condo docs”) no longer dictates the insuring responsibilities for the condominium association or the unit owner. This change applies to every condominium association across the state, regardless of the date of its declaration of condominium. The change was effective January 1, 2004 and significant highlights of the bill include:

- In condominiums where there is only one unit in a free standing building the association is not required to insure that building if the condominium declarations require the unit owner to obtain adequate insurance on the condominium property.
- The board may satisfy the requirement to obtain “adequate insurance” if the policy contains a reasonable deductible. There is no definition of “reasonable.”

The Master Association policy shall provide primary coverage for the following:

- All portions of the condominium property located outside the units;
- All portions of the condominium property for which the declaration of condominium requires coverage by the association.



- Property located inside units as such property was initially installed, or replacements thereof of like kind and quality and in accordance with the original plans and specifications or, if the original plans and specifications are not available, as they existed at the time the unit was initially conveyed. This includes items such as drywall, unfinished walls, and unfinished floors.

The law provides that the following property components are excluded from the property and casualty insurance maintained by the condominium association and **are the responsibility of the individual unit owners:**

- **Floor, wall and ceiling coverings**
- **Electrical fixtures**
- **Appliances**
- **Water heaters**
- **Water filters**
- **Built-in cabinets and countertops**
- **Window treatments including curtains, drapes, blinds, and hardware**

- **Replacements for any of the above listed property**
- **Air conditioning or heating equipment; Air conditioning compressors that serve only one unit no matter where located . Air conditioning Expenses are now the Association’s responsibility per the 2008 statute changes.**

Associations may amend their declarations without regard to mortgagee approval of the amendments affecting insurance requirements.

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