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March 22, 2023

Village In the Pines
Board of Directors

Re: Insurance Meeting Follow Up

Dear All:

Thank you for reaching out and expressing the concern of the residents regarding the insurance renewal for Village In the Pines as we completely understand the frustration with this process this renewal cycle as the Florida property insurance marketplace is in complete chaos. Please see the following information which is a recap of the meeting:

1. **Renewal Options-** our agency approached all of the active property insurance carriers offering property coverage. Due to the open claim, age of roofs, and age of buildings the only viable option available was the incumbent carrier American Coastal Insurance Co. The other carriers declined to offer an option due for the reasons mentioned above. Furthermore, the governor's emergency orders require the incumbent carrier to either offer an extension of coverage or a renewal since there is existing damage. Our office did reach out to Citizens for a rate and this rate was less than the American Coastal offer but the Citizens underwriting requires a roof inspection and electrical inspection of every building in the association . If there are any deficiencies found in these inspections, Citizens will not offer coverage until addressed. The concern was due to varying and conditions of the roof and electrical panels this option was not viable at this time as the cost to remedy these deficiencies would be much greater than the savings. This is something to consider in the future as the market evolves (roof updates and electrical updates) .
2. **Ways to cut insurance costs-** the board of directors is obligated by documents, financial institutions (mortgage companies) and statutes to purchase insurance in a certain manner and this precludes the association from being able to be creative in ways such as choosing higher deductibles, lowering coverage limits , or self-insuring as these methods place more risk on the owners at the time of the loss. A large portion of the increase in premium this year was due largely to the increase in coverage limit as the statute requires the association provide a replacement valuation which is used as the basis for the coverage limit. This report illustrated a need to increase the replacement values by \$6,664,466 (31%) to coincide with current building costs. The board had chosen to take the highest deductible and only purchase coverage required by the documents/ statutes. There was discussion regarding each owner insuring their own unit and building individually and this would need to be discussed further with the association counsel as the documents and by- laws would need to be addressed for this option to be viable.
3. **Update on the claim –** the insurance carrier has offered an initial settlement of the claim which the association strongly does not agree with this assessment. This is quite common in the claim process after lan and the association will need to provide information which backs up their reason for the disagreement in the carrier report. The association has engaged with a

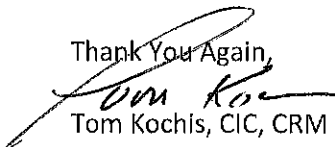


professional roofing company to gather facts to present to the insurance carrier. Unfortunately, this process will take some time and VIP is not alone in this process as the insurance carriers have been inundated with claims and are simply overwhelmed and understaffed. This is no excuse as the association pays their premium on time and should be treated with the same respect when they have a claim. Our office will continue to communicate with the insurance carrier the need to provide better communication with the association and we are confident that this will be handled correctly , it just may take some more time.

4. Insurance Carrier Financial Situation - American Coastal Insurance Co. is the property insurance for the association and they are a subsidiary of the parent company UHI which operates several other carrier including UPC. UPC has been declared insolvent and has been forced into liquidation by the state of Florida. American Coastal Insurance Company which is the largest writer of condominium associations in Florida remains solvent and has a separate reinsurance treaty and financials. The carrier has indicated that they will be well below their reinsurance threshold and all claim obligations will be met. Another important thing to understand is American Coastal is an admitted carrier , which basically means that this carrier must follow the rules, filing, and laws of the state and in the event the carrier becomes insolvent the state will provide coverage for claimants up to \$200,000 per unit. The premium is also protected so in the event the carrier shuts down in the middle of the term, the association will recover the unearned premium from the FIGA (Florida Insurance Guaranty Act) . This is similar to the FDIC in banking arrangement but on a state level. There was concern from some residents regarding the FIGA and their solvency. This should not be a concern as the FIGA has the power to assess every policyholder in Florida so the solvency should not be of concern.

I hope this information provides a recap of the meeting and helps the association members understand that the board, management, and our agency are doing everything within our control to provide the proper coverage at the most competitive terms. As mentioned in the opening of this letter, this chaos is not isolated to Village In the Pines as all homeowners and associations are dealing with these increases on some level. The newly built associations may be seeing a lesser increase than others and the associations located on the barrier islands over three stories may be experiencing even higher increases than what VIP experienced. Our hope is the recent legislation session will provide some relief to the insurance carriers and the market will begin to stabilize. Our office will keep you posted and as always I any resident has a question I am happy to discuss with them personally as they are entitled to answers. I am also available to attend any future meetings should you think it would be beneficial. Please let me know if I missed anything as I will be happy to address.

Thank You Again,



Tom Kochis, CIC, CRM