



PROPERTY & CASUALTY

**Hurricane Preparation  
and Recovery**  
Claims Guidelines for  
Condo Associations



BROWN & BROWN

STATE OF THE UNION

Presented by

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## We suggest using the following checklist to facilitate an efficient and successful recovery.

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### Place your insurance carrier on notice of the loss and copy your broker

- Review your policy jointly with Brown & Brown to identify policy provisions and relevant deductibles.
- There may be special coverages, sublimits or deductibles that apply to hurricane-related losses.
- You may have multiple insurance policies implicated following a hurricane, including property, wind and flood. Discuss with your broker which policies to place on notice of loss, based on your specific circumstances.



### Assemble your team

Designate one team member as point of contact for your communications with adjusters and third-parties.



## **Notify all involved parties**

- Including owners, tenants, lessees, vendors and any other third-parties that may be affected.
- Heed the warnings of local authorities and emergency services resources as the storm approaches.



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## **Identify and document loss-related issues that could impair operations**

- Include photos of direct physical damage at your property, including common spaces, entry or exit points, utility interruption and other damaged facilities.
- Save documents sent by civil or government entities, including emergency orders.
- Confirm any damages that are related to your business but did not occur at your physical location.



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## **Determine a loss-associated cost tracking system**

Set up a single accounting code to organize all loss-associated costs in one place.



## ■ Create shared access to important documents

- One portal will help simplify the process of sharing multiple documents with your adjuster and broker.
- Ensure all data is sufficiently backed up as part of your storm preparedness process.



## ■ Contact remediation contractors to complete emergency repairs

- This includes water extraction and drying equipment.
- Protect building and equipment from additional damage by making temporary repairs.
- Restore service to fire systems as quickly as possible and document conditions with photographs.
- Contractors should be provided with instruction on how to allocate insurance responsibilities between the Association and Unit Owner. This will help ensure they appropriately track their labor and expenses to the proper policy (Association vs. Unit Owner). It is difficult to re-create the allocation after work is completed and adjusters are auditing invoicing.



## ■ Building damage

- Access governing documents (By-Laws and Articles of Incorporation) to identify insurance requirements between the Association and Unit Owners.
- Typical insurance apportionment approaches include:
  - » "All-in" (Generally, the Association is responsible to restore entire unit to original condition; improvements are Unit Owner responsibility).
  - » "Bare walls" (Association covers drywall/subfloor, but finishes such as carpet, paint and fixtures remain Unit Owner's responsibility).
- Confirm if any state laws apply. For example, Florida has statutorily fixed the insurance requirements between Associations and Unit Owners.



## ■ Building damage and preparing for next steps

- Emergency repairs may need to be completed before an adjuster comes out. In that case, take extensive pictures and videos of all damage before starting any repairs.
- When meeting with an adjuster, tour all damaged areas jointly with your contractor to help ensure all parties agree on the scope of permanent repairs.
- Instruct the contractor to itemize their estimates and invoices. Clearly delineate the scope of work and associated pricing attributed to Unit Owners and the Association.



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## ■ Machinery and equipment damage (where applicable)

- Contact the original equipment manufacturer (OEM) or vendor that services your equipment to complete an assessment.
- Identify any temporary equipment that can be rented in case of long lead times for repairs.



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## ■ Track internal labor

- Track every employee used in post-loss cleanup and repair, including activities performed, dates, hours worked, hourly rate and supplemental costs.
- Meet with your adjuster right away to understand the scope of labor that can be included in coverage. For example, unless otherwise specified, salaried employees' labor is typically not recoverable.



# Impact on Insurance Program

- 718 Condominium Statute 3 Year Appraisal
- Population Growth
- Reinsurance Doubling Since 2019
- Claims Activity/Open Claims
- Roof and Building Age
- Structural Engineering Report
- Wind Mitigation

# Impact on Insurance Program

- Opening Protection
- Flood Evaluation
- 2021 General Liability
- Broker?
- Citizens
- Wind Vs. X-Wind
- Wind Buy-back Deductible



# **WSIA Updates**

*Wholesale  
Specialty  
Insurance  
Association*

## San Diego for the WSIA Conference (brokers, carriers, reinsurance carriers)

- Wholesale Specialty Insurance Association
- 40 meetings over a 3 day period with various property markets

### REINSURANCE—MONTE CARLO COMMENTARY

- **The Insurer:** “Spiraling inflation will mean most cedants will need to buy at least 10 percent more limit just to stand still.” **That means direct carriers will be purchasing ~\$20BN more Reinsurance coverage for US CAT property...ie: Reinsurance costs go up.**
  - Capital markets volatility and higher interest rates have had the effect – at least in the short term – of reducing reinsurance industry capital
- **Aon’s Reinsurance Solutions:** CEO Andy Marcell sums it up as inflation, concerns over the impact of climate change on peak and secondary perils, a lack of confidence in models, stress on capital from investment volatility and the impact of the strong dollar.
  - “There’s uncertainty and when there’s uncertainty people want to charge more for that uncertainty,” he observes.
- **Guy Carpenter:** The firm highlighted [in pre Monte Carlo briefing] “clear capacity constraints” in property cat and retro across the global marketplace.
  - The emerging theme at the broader renewal was of reduced reinsurer appetite for cat risk, reflecting the impact of secondary perils and concerns over climate change.
- **Howden:** “Pressures are particularly accurate in the property-cat space, where reduced capital inflows and rising inflation, along with a succession of expensive ‘secondary’ peril losses (due in large part to climate change), have strengthened reinsurers’ resolve to demand higher returns...the property cat market is currently in the eye of a price, risk, and supply chain storm”

- **Valuation will continue to be the most important aspect of markets' initial risk analysis.** Based on underwriter specific comments about Q4 2022 and Q1 and Q2 2023 renewals, **we are highly encouraging our clients to have conversations with their insureds about continuing to adjust values for inflation.** Direct quote from multiple market underwriters: “insured’s that submit an SOV with the same values will be heavily penalized in terms of rate and terms”.
  - We want to be on the forefront of communicating with our clients, and we would highly encourage you to have conversations with your insured about what values to submit to the market. It is much easier and more favorably received to address values on the front end rather than have to negotiate them during the renewal process.
  - **Showing some type of year over year change will be important even if values were “corrected” last year.**
- **Limits**—Line size reduction in buffer/excess markets was the most significant reason for the increases in rate this past year. With average lines in the 2.5M-5M range on E&S business, minimum premiums for max line size drove buffer/excess pricing to multiples of the previous years price. We don’t anticipate any major further reduction in capacity, however, **there are no signs that anyone is looking to increase their exposure/line size.**
- **Timing**-- Carrier’s continue to be super understaffed. Everyone is trying to hire, but there is a major shortage of available talent. Policy counts are way up. **We expect response time, modeling, quote timing, policy issuance, etc. to continue to be a major challenge.** Wholesalers (firms and individuals) without significant premium leverage, resources, and historical relationships will likely struggle to get their submissions to the top of the stack.

The background features a solid blue field with several overlapping geometric shapes. In the top-left and bottom-right corners, there are teal and green polygons. In the top-right and bottom-left corners, there are darker blue polygons. A large, white, diamond-shaped polygon is centered on the page, outlined by a thin, light blue border. The text "Post-Ian Updates" is centered within this white diamond.

# Post-Ian Updates

- There has now been a major CAT (or more) five of six years in a row; carriers and reinsurers are now having to plan on a major CAT event taking place each year, representing a new mindset;
- Total damage is estimated at \$28B - \$47B
  - \* \$22B - \$32B Wind Damage
  - \* \$6B - \$15B Flood Damage (covered by NFIP)
- Hurricane Ian's eye wall was 30 miles in diameter, 4x larger than Hurricane Charley.
- This is the most significant loss since Hurricane Andrew.
- It's currently estimated that there will be less claims filed for Ian as compared to Irma.
- Ian is causing additional stress as 1/1 reinsurance discussions begin to take place;
- AmRisc has just rolled out additional rate and deductible increases:
  - Anticipate rate increases of a larger magnitude than pre-Ian, such as 20%-50% depending on account specifics;
    - Any required valuation increase is in addition;
- Similar to what AmRisc experienced at the end of 2021 leading into 2022, AmRisc may see one or more of their 12 supporting carriers exit the panel or sign down their capacity for 2023.
- As AmRisc has continually and successfully done over the years, AmRisc is actively looking to add or upside carrier participation within their panel.
- The net result of carriers exiting/signing down and carriers being added/upsized within AmRisc's carrier panel may be a reduction of deployable PML for 2023.

# Hurricane Ian Estimated Residential and Commercial Flood and Wind Losses in Florida, South Carolina and Other Impacted States (\$ in Billions)<sup>1</sup>

Peril	Impacted States			Total
	Florida	South Carolina	Other States	
Wind	22-32	1-2	<0.5	<b>23-35</b>
Flood <sup>2</sup>	8-16	<1	<1	<b>8-18</b>
<b>Wind and Flood Subtotal</b>	<b>30-48</b>	<b>1-3</b>	<b>&lt;2</b>	<b>31-53</b>
Uninsured Flood	10-16	<0.5	<0.5	<b>10-17</b>
<b>Total Flood and Wind</b>	<b>40-64</b>	<b>1-3</b>	<b>&lt;2</b>	<b>41-70</b>

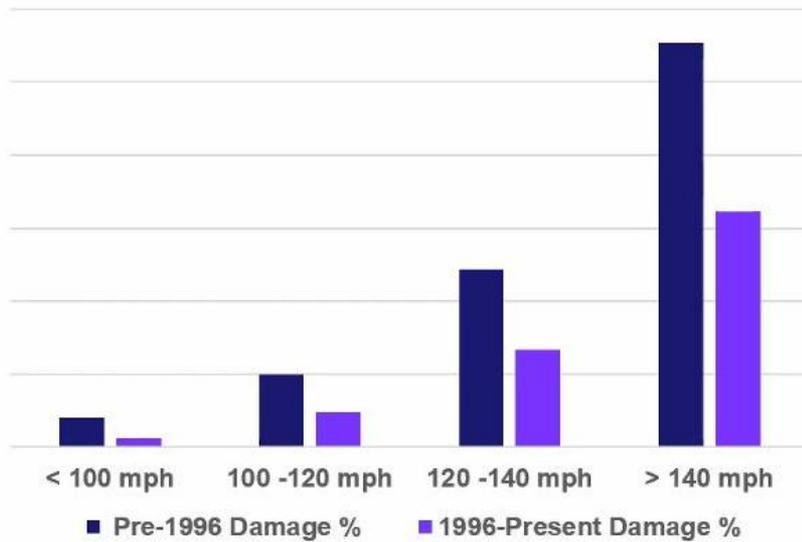
1. Values are insured losses unless otherwise noted.

2. Includes Private and NFIP insured loss for storm surge and inland flood. Losses to the NFIP estimated to comprise ~75% total insured flood loss.

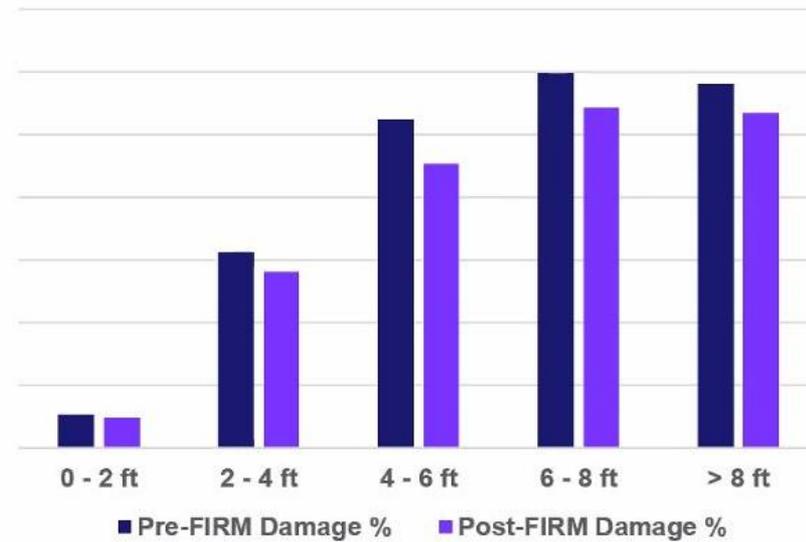
# Building Codes Reduce Losses

Residential Properties in Lee County, Florida

Wind losses by year of construction  
pre-1996 vs. 1996-present



Flood losses by year of construction  
pre-FIRM vs. post-FIRM



# Inflation

A Few Thoughts

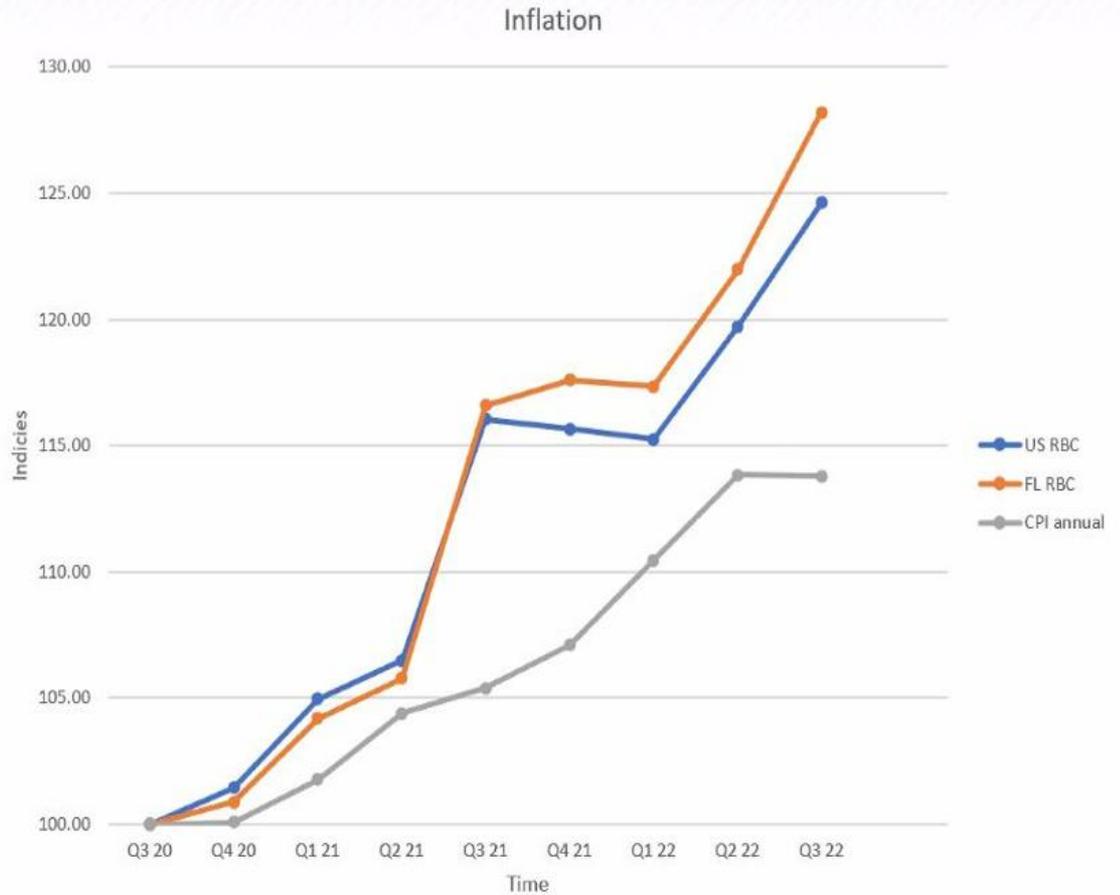
Have I adequately accounted for Inflation?

CPI v Rebuild Cost  
Nationwide v Florida

Exposure values

Written v Current

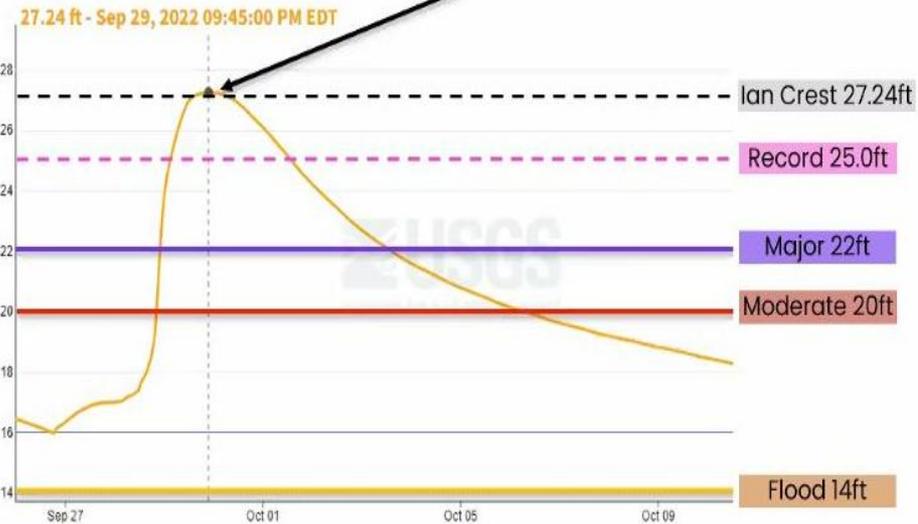
Current v Settlement



# Historical Rainfall & Inland Flooding

Peace River – Zolfo Springs, FL

Breaks Old Record by 2.24ft – Sept 29<sup>th</sup>



Source: USGS – Water Data



# Historical Rainfall & Inland Flooding

## Observed Total Rainfall

3.5 SE Union Park, FL – **21.16"**

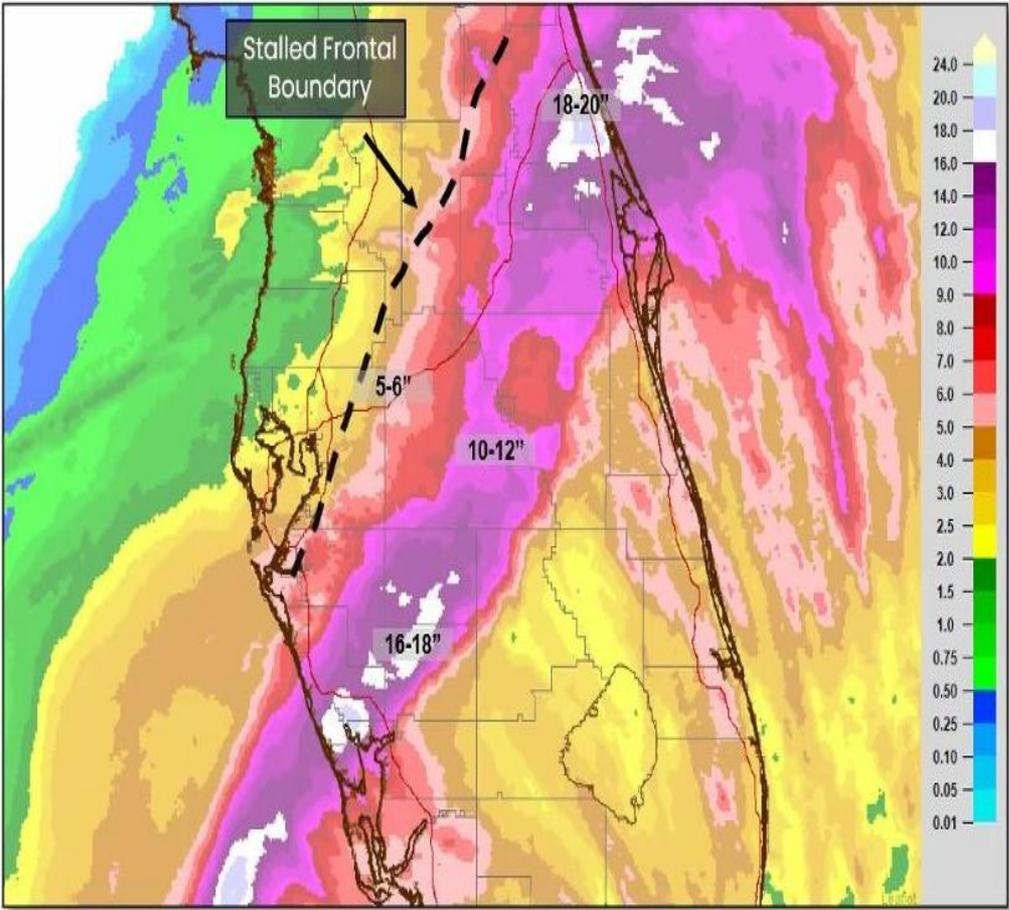
5.4 SW North Port, FL – **19.40"**

Edgewater, FL – **19.02"**

3.5 NW Titusville, FL – **15.03"**

Orlando Intl. Airport, FL – **13.20"**

5.4 SSE Charleston, SC – **10.75"**



Source: National Severe Storm Laboratory / NOAA

## Coverage Review

What are you paying for?

Line of Insurance	Question	Explanation
Equipment Breakdown	Included? ✓	Damage to HVAC Systems, example lightning strike, power surge
Property	Include Wind Driven Rain? ✓	Example - 150mph Winds, No Roof Damage, however sustained winds push water in causing drywall/floor damage
Property	Professional Fee's Included?	Certain Fees associated with attorneys/adjusters generally not included or limited. Example - claims preparation expense included, fee for adjusters not
Property	Sinkhole or Catastrophic Ground Cover Collaps	Cat Ground is significantly more restrictive requiring meeting all four prongs.
Property	Protective Safeguards?	In the event of a claim, if a protective safeguard is endorsed and not maintained, coverage can be denied. Example - Sprinkler System
Property/Liability	Mold?	Property Damage or Bodily Injury from Tenants due to Mold
Property	Sewers & Drains	Backup of Sewers & Drains - Damage to Walls, Floors, Fixtures, Tenant Property
Property	Vacancy Clause	What are the restrictions if any? 30 or 60 days, what %, 15% reduction in coverage
Property	Deductible?	<b>Annual Aggregate vs Calendar Year vs Named Storm vs Hurricane (74mph winds/tropical storm)</b>
Property	Hurricane Season Effective Date	<b>Moratorium issued, option provided saving 25%, unable to realize savings</b>
Property	Wind Mit Forms/Opening Protection, Roof	Max Credits, Roof Condition, Repair/Replace, % of opening protection

*Program Analysis  
Brown & Brown of FL, Inc.*

<b>Line of Coverage</b>	<b>Page(s)</b>	<b>Coverage Item</b>	<b>Explanation</b>	<b>Brown &amp; Brown's Proposed Solution(s)</b>
<b>Property</b>	2	Coinsurance	The current property policy includes an 80% coinsurance clause. Before insurable values are adjusted, in the event of a claim, the association would be severely underinsured. Coinsurance calculation formula is DID/SHOULD x LOSS	<i><b>Our proposed recommendation would be to adjust values per the most recent appraisal and increase or remove the coinsurance clause. The values/coinsurance need to be addressed on yearly basis to best protect the association.</b></i>
<b>Property</b>	2	Ordinance & Law Coverage	The property policy includes a 5% of building value at a sublimit of for Coverage B (Cost to Demolish) and Coverage C (Increased Costs of Construction). With a year built of 2004 this limit may be inadequate.	<i><b>Our proposed program would recommend increasing these limits to \$50k/\$100k.</b></i>
<b>Property</b>	2,4,5	Sinkhole Coverage	The policy removes coverage for sinkhole replacing with catastrophic ground cover collapse, which is the more restrictive coverage. By definition all four prongs of damage must be met for coverage to apply.	<i><b>Our proposed program would request the endorsement to specifically cover sinkhole coverage.</b></i>
<b>General Liability/Auto</b>	6	Hired & Non-Owned	The current general liability policy excludes coverage for Hired & Non-Owned Auto liability unless a minimum limit of \$100k/\$300k is maintained.	<i><b>Our proposed program would be to remove this exclusion.</b></i>
<b>General Liability</b>	7	Swimming Pool Exclusion	The current policy excludes coverage for failure to maintain or any safety devices in or around the pool. Examples include: drains, fences, gates...etc	<i><b>Our proposed solution would be to remove this exclusion.</b></i>



**The Cheetah:**

*Since our beginning, we've known that doing the best for our customers requires constant persistence and vision. The cheetah, which represents vision, swiftness, strength, and agility, embodies our corporate culture and has served as a symbol for our company since 1983.*



**For additional information:**

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