

Space Coast Communities Association

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INSURANCE OFFICE OF AMERICA



Association Insurance Presentation

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Mike Mort

- Mike has been a Condominium Association insurance specialist since 2007
- Successfully navigated the insurance market, delivering more than 1000 insurance renewals
- Seen more than 500 insurance claims, from property damage to liability lawsuits
- Personally oversees \$2 billion-plus in property Insurance value



Property Insurance: Association vs. Unit Owner Responsibilities

Property & Wind Storm Insurance Liability Table

Identifies which party (Unit Owner or Association) is responsible for insurance coverage per State of Florida Statute 718

<u>BUILDING ELEMENT TO BE INSURED</u>	<u>UNIT OWNER</u>	<u>ASSOCIATION</u>
VERTICAL WALLS: Exterior: Mesh, Lath, Sheathing, Glass, Block, Stucco (Painted) Studs & Insulation Unfinished Sheet Rock (Drywall) Interior Wall area of exterior wall (wall coverings)		X
Interior Unit Walls (including party walls) Block, Studs & Insulation Unfinished Sheet Rock (Drywall) Interior Wall Treatments (paint, tile, wallpaper)	X	X
Common Area Interior Walls Block, Studs & Insulation Unfinished Sheet Rock (Drywall) Interior Wall Treatments (paint, tile, wallpaper)	X	X
HORIZONTAL WALLS (including ceilings): Interior Unit Floors Concrete, Framing, Insulation, Plywood. Floor Coverings	X	X
Common Area Floors Concrete, Framing, Insulation, Plywood. Floor Coverings	X	X
Interior Unit Ceilings & Roof Area Concrete, Framing, Plywood, Insulation, Sheet rock Paint and/or Texture Finish (popcorn, spackling, etc)	X	X
Common Area Ceilings & Roof Area Concrete, Framing, Plywood, Insulation, Sheet rock Paint and/or Texture Finish (popcorn, spackling, etc)	X	X
ROOFING (interior units & common areas): All Framing, Supports, Deckings, Insulation & Covering		X
UNIT INTERIOR FINISHES: Electrical Fixtures, Appliances, Air Handlers, Water Heaters & Cabinets	X	

Flood Insurance: Association vs. Unit Owner Responsibilities

Flood Insurance Liability Table

Identifies which party (Unit Owner or Association) is responsible for flood insurance coverage per the National Flood Insurance Program guidelines.

<u>BUILDING ELEMENT TO BE INSURED</u>	<u>UNIT OWNER</u>	<u>ASSOCIATION</u>
VERTICAL WALLS: Exterior: Mesh, Lath, Sheathing, Glass, Block, Stucco (Painted) Studs & Insulation Unfinished Sheet Rock (Drywall) Interior Wall area of exterior wall (wall coverings)		X
Interior Unit Walls (including party walls) Block, Studs & Insulation Unfinished Sheet Rock (Drywall) Interior Wall Treatments (paint, tile, wallpaper)		X
Common Area Interior Walls Block, Studs & Insulation Unfinished Sheet Rock (Drywall) Interior Wall Treatments (paint, tile, wallpaper)		X
HORIZONTAL WALLS (including ceilings): Interior Unit Floors Concrete, Framing, Insulation, Plywood. Floor Coverings		X
Common Area Floors Concrete, Framing, Insulation, Plywood. Floor Coverings		X
Interior Unit Ceilings & Roof Area Concrete, Framing, Plywood, Insulation, Sheet rock Paint and/or Texture Finish (popcorn, spackling, etc)		X
Common Area Ceilings & Roof Area Concrete, Framing, Plywood, Insulation, Sheet rock Paint and/or Texture Finish (popcorn, spackling, etc)		X
ROOFING (interior units & common areas): All Framing, Supports, Deckings, Insulation & Covering		X
UNIT INTERIOR FINISHES: Electrical Fixtures, Appliances, Air Handlers, Water Heaters & Cabinets		X

Policies Included in an Association's Insurance Program

- Property: wind, fire, lighting, water damage
- General Liability: slips, trips, and falls
- Director's & Officer's: protects the board, defense policy
- Crime: operating & reserve money
- Workers Comp: employee & volunteer
- Umbrella: additional liability coverage
- Flood: rising water or tidal surge

Property Insurance Deductibles:

- Fire, water, lightning, property damage = \$ amount (\$2,500; \$5,000; \$10,000)
- Wind: hurricane, tropical storm, tornado = % (2,3,5%) of buildings insured value
 - Example: \$10M insurable value x 3% = \$300,000 deductible

What is Director's & Officers Insurance... Why is it Important

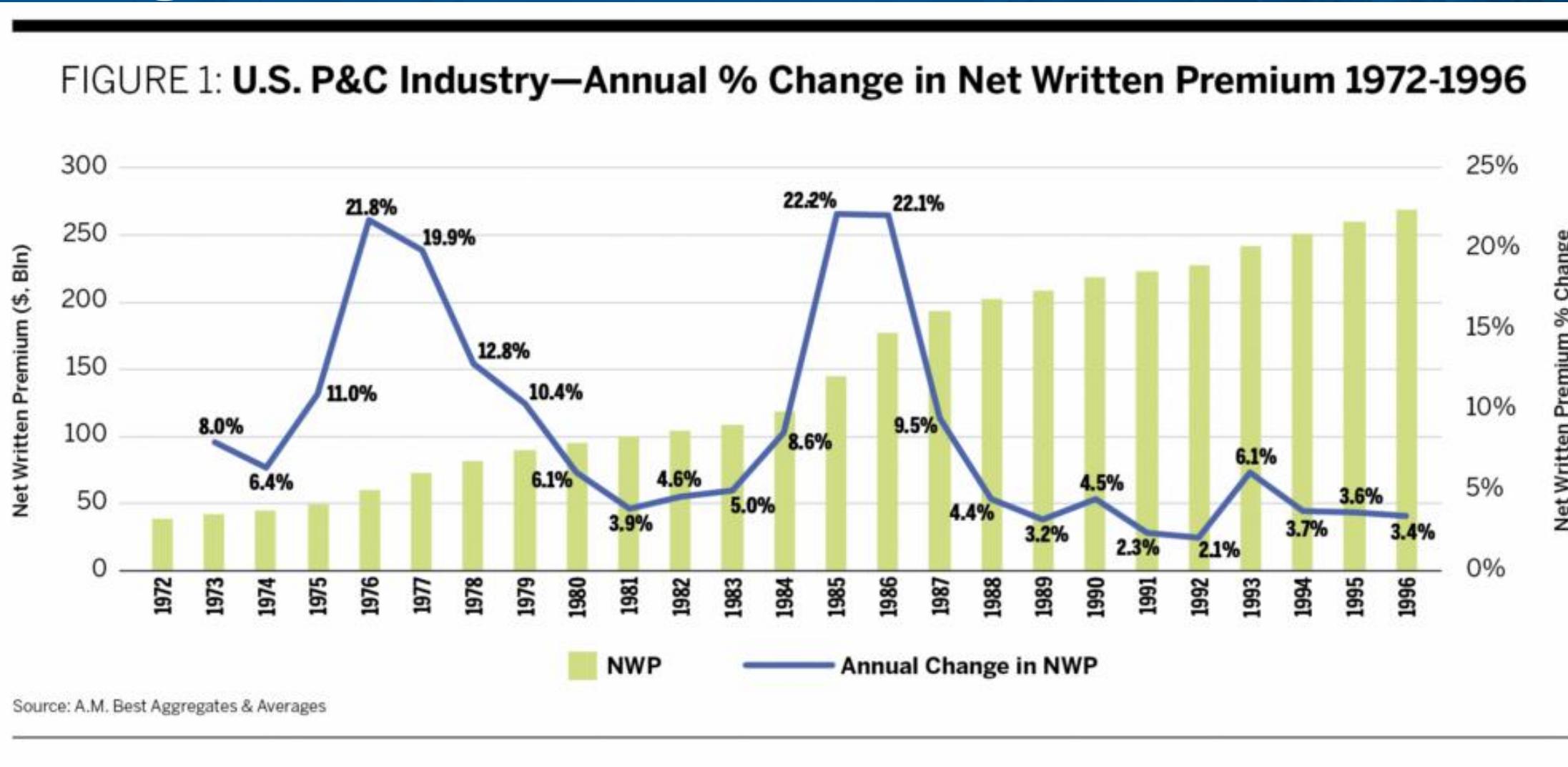
- Protects the association from legal & financial fallout resulting in financial stability for the association
- Protects the personal assets of the board members and officers from lawsuits alleging wrongful acts, errors, or omissions while performing their official duties.

Common Causes of D&O Claims

- The devil is the details. If you ignore the details, it is likely to come back to haunt the Association later. *Failure to Follow the By-Laws.*
- Out of Sight Out of Mind. *Failure to Update or Memorialize Amendments.*
- Penny Wise and Pound Foolish - *Failure to hire the Critical Professionals*
- Ignorance is Bliss. *Failure to know and Follow New Laws*
- We'll get to it later. *Failure to Document and Keep Records*
- It's the Principle of the Matter. *Failure to put Emotions and Personalities aside.*

Insurance Market Cycles...Nothing New

FIGURE 1: U.S. P&C Industry—Annual % Change in Net Written Premium 1972-1996



What is an Insurance Appraisal?

- Insurance Appraisals are, in their truest form, **an Opinion of Value for replacing the shell of the building**. Not the interior finishes such as cabinets, flooring, wall coverings, appliances, bathroom finishes, kitchen buildouts.... These are the insuring responsibility of the unit owner in Florida.
- Determine the **replacement cost (not market value)** of the association's property (excludes land and unit owner responsibilities)
- NOT A REAL ESTATE MARKET APPRAISAL
- Per Florida Statute, Section 718, an updated appraisal must be conducted at least once every 36 months for Condominium associations
- Used to determine the property policy coverage. The property policy limits must be at least the value of the appraisal.

Protecting Your Dreams

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