

# 300 WORDS (more or less) about CONDOMINIUM INSURANCE

**BACKGROUND**—During the 2008 legislative session, the Legislature passed HB 601, a lengthy rewrite of Chapter 718, dealing with condominiums. **While many of the changes were necessary, three have created some unintended consequences.** These three unintended consequences include the following:

1. That the association be an additional *named* insured on each of the unit owner's policies. This means that if the association common property gives rise to a liability suit, the liability protection of each unit owner's policy could be called upon to respond.
2. That each unit owner's policy have \$2,000 of *special assessment* coverage, rather than the correct term of *loss assessment* coverage. The literal interpretation of last year's bill means that if, for example, the association made a special assessment to repave the parking lot, the policy would be expected to cover it.
3. That the association request that unit owners show proof of insurance at least once a year and allows the association to force-place the coverage if proof is not forthcoming. This is, essentially, a mandate that unit owners must buy an HO-6 or other similar type policy. It is up to the association to enforce this requirement as there is no enforcement mechanism in the statute. There is no reference to how much and what type of coverage must be purchased; again, the board would be the entity to determine what the unit owner must carry. If the unit owner fails to purchase such policy, the board

may do so and collect the premium in a manner specified in the assessment statute.

**DISCUSSION**—SB 714 by Sen. Jones and HB 419 by Rep. Bogdanoff make four important modifications to last year's legislation:

- ◆ It removes the language that the association be an additional "named" insured in all unit owners' policies. This will prevent the unit owner's policy from being exposed to liability suits resulting from injury in the common areas of the association.
- ◆ It replaces the term "special assessment coverage" with the more insurance-specific term "loss assessment coverage."
- ◆ It removes the requirement that the association must request the unit owners show proof of insurance coverage at least once a year and removes the association's ability to force place the unit owner's coverage.
- ◆ Finally, the bill makes numerous insurance-related technical changes such as changing *hazard* insurance to *property* insurance, and deleting inappropriate references to *casualties* and *casualty insurance*.

**SOLUTION**—Support SB 714 by Sen. Jones and HB 419 by Rep. Bogdanoff, which repair last year's glitches.

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