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OFFICIAL NEWSLETTER

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THE PRICE OF PARADISE IN 2014: HIGH INSURANCE

Hurricane season 2013 is officially over! Despite the 'experts' dire predictions of a very active season and a few major storms and probable US strikes, there were none. This would lead one to think that after many years of no Florida hurricane strikes, insurance companies would have regained profitability, and could now lower rates. One would also think that new insurance carriers would enter the Florida market realizing that what happened in PSL in 2004-2005 with multiple strikes was a once-in-a-lifetime occurrence, just like Hurricane Sandy. However, it appears that just the opposite is happening. Over the past year, the Board has received many calls and complaints from owners regarding their property insurance companies and skyrocketing rates, with such corporate greed now breaking their bank and backs. Some insurance companies tried to blame their inexplicable increases on the age or condition of the villa roofs, even though all roofs were completely re-roofed since their 1984-85 construction and completion, mostly between 1996 and 2002. Many roofs were also repaired or completely replaced again in 2006 after the 2004 and 2005 storms, and any roofs that were not replaced passed proper inspections to last the remaining life of the 25-year-rated shingles. Other owners were told that we are all paying for the State insurer, Citizens Property Insurance Corporation, which has come under attack in the media in recent years for mismanagement.

The Board sympathizes greatly with all affected owners, and is likewise being dealt some nasty blows for the Association. Many companies who insure Florida Associations have either completely stopped insuring them now or left the state. VWP2 received a letter of cancellation from Lloyds of London in October stating that they would not renew the POA's insurance after the 11/20/13 policy expiration. Fortunately, the Board has maintained the same knowledgeable insurance agent for around 30 yrs. now, namely Deakins-Carroll Insurance Agency, to help find replacement insurance. When they found a replacement company in early November, even that company changed its mind just days before our expiration, shocking the agency and the Board. Supposedly, some carriers are concerned because the POA does not own whole clusters of units. Instead, they own one or more units alongside other private owners with different insurance carriers. Carriers feel it would be an adjuster's nightmare if a fire burned through the adjoining walls of two or more units. Another factor in the POA's difficulty in getting insurance is that Associations normally aren't "Landlords". The foreclosure crisis starting in 2008 has caused VWP2 (and other Associations) to buy and rent out their own units, which presents a new and different liability for the Association that must be covered. With extremely limited carriers and options, the Board was not pleased to have to accept a high deductible/very high rate policy at the last hour. On the night of 11/19, the board was sent 67 pages of application forms and information to review with a premium increase from around $28K last year to $42K this year: 'Take it or leave it. Just raise your maintenance fees,' they say. The Board does not want to raise the fees, and would very much like to 'self-insure' the POA and set up its own account in the future if it can work out an agreement with all the mortgagees of POA owned units, who must be listed as an additional insured for fire, casualty and perils. The POA originally expected to buy a total of 18 to 19 units and have them financed at 6% to as high 8% interest, but ended up only getting investors interested in double digit rates after banks declined loans to the POA. The POA bought 28 units so far and there are another 19 to possible 22 units in some stage of foreclosure still coming! If those 28 weren't as successful as they were in accomplishing the owners' goals, the Board would have considered stopping the continued buying and renting of units. The expenses were higher than planned, but has still been deemed worth it when considering the alternative of having out-of-town bargain-buying investors and buyers come in with inexperience and disregard of Deed-Restrictions and Rules and Regulations. Indeed, some turned-away buyers showed outright contempt for the POA, threatening the Board, and one suing the Association to try to throw out its Rules, Regulations and Governing Documents. The foreclosure cycle of the 1990s brought similar buyers, most of whom are gone now, but brought incredible costs and problems to the POA through the years, which no one wants repeated. So, although the Board must reluctantly raise the fees, they also will extend the approved 5% homestead discount in addition to a new one being worked on to help long-time, faithful paying owners. Stay tuned.