



2023 Community Association Insurance - Budget Projections

Introduction: It is that time of year again when we release our annual community association insurance budget projections. As most of you have already seen, 2022 continued to bring significant changes to the insurance marketplace. Prior to 2017, Florida enjoyed 10+ years of unprecedented calm with no major hurricanes touching our shores. Then in 2017, Irma hit followed by multiple years of catastrophic weather events. Amazingly 4 of the top 10 costliest hurricane years on record occurred in the last 5 years! In addition to significant hurricane losses the insurance market has been dealing with historically high inflation, which is driving up claim costs, adding fuel to an already out of control fire.

Natural disasters aside, we are faced with other challenges affecting our state specifically. Florida leads the nation in the number of property claims that are represented/litigated by attorneys. This only serves to drive up the average cost per claim. Since April of 2021, seven Florida property insurance carriers have become insolvent and gone out of business (AmCap, Southern Fidelity, Lighthouse, Avatar, Gulfstream, St Johns, and Weston). In addition, many carriers that have continued to stay in business have left the state altogether or amended their underwriting guidelines to limit their exposure in Florida.

The third element contributing to the increase in rates is the explosive population growth and new construction activity. This additional development is increasing the demand for property insurance at a time when there are fewer carriers available to offer limits (supply). This imbalance plus the significant increase in reinsurance costs (doubling since 2019) are the main causes of the unusually high increases in property rates over the last few years.

We wish we could tell you all that we see a light at the end of the property rate increase tunnel, but we cannot. Our best chance of seeing a leveling off of property rates is at the back end of 2023, and that's only IF we have a quiet storm season AND IF claims litigation cases begin to come down in response to recent legislative changes. If both of those things happen, then the industry predicts that reinsurance rates could moderate mid 2023, but again there is no guarantee.

A less discussed issue that is also causing property premiums to increase are the appraisal updates happening on your Associations. As you know the 718 Condominium Statute requires an appraisal to be conducted once every 36 months. Recent appraisals have been reflecting increased costs of construction labor and materials. This is due in part to inflation, supply chain issues, wars, etc. This is a bigger factor for those communities that haven't had appraisals done in the past 3 years. If you are due for an update, expect the "replacement cost values" of your buildings to increase by at least 15%.

Lastly, while these tend to be smaller policy premiums, both the General Liability & Umbrella lines of coverage are under significant pressure due to claims and the significant change in carrier appetite in Florida. This is due to the increase in litigated claims, nuclear verdicts, fallout from the Surfside collapse, etc...

Just as we have done for the past 10+ years, Negar & I have provided a comprehensive explanation of our budget recommendation for the upcoming 2023 year below.

The first two bullets below are our budget thoughts for COA's and HOA's respectively for 2023. The rest of the email goes over the various factors that may impact our projections such as updated (increased) appraisal values, claims, hurricanes, etc... Please take a moment to review these items as your particular association may be materially impacted by one of the categories listed. **It is extremely difficult to provide a one size fits all budget projection as things can change substantially association by association, so we encourage you to reach out to us if you are unsure.**

Thank you all again for your trust, if you have any questions please let us know...

- **Budget Outlook for Condo Associations & Townhome HOA's that Insure Like Condos: We suggest budgeting for a 22.5% overall annual increase for 2022.** It is important to note that this is just a best guess average, our feeling is most renewals will likely end up between 15%-30% overall range. We recommended budgeting for a 17.5% overall increase for 2021's budget and most associations came in above the 17.5% mark on average especially the further we got into 2022. The main driver in this is the increased property insurance rates discussed in the opening paragraph. Another MAJOR contributor is the increased replacement cost values driven by the updated insurable value appraisals...
- **Appraisal Increases Reminder:** If you are due for your insurable value appraisal update you need to consider that in your budget figures. Historically on average these appraisals increase 3% or so a year but with the significant rise in material & labor costs we are seeing a much more significant year over year increase of two to four times the historical average. The associations that haven't updated their appraisals in a longer time frame are going to be impacted even more. Make sure you review the "Heads Up" bullets below for more of these issues to look out for.
- **Budget Outlook for HOA's: We suggest budgeting a 20% overall increase in 2023.** Last year we recommended 17.5% for HOA's. We expect the HOA renewal range to fall into that 10%-30% range so 20% is a solid average. HOAs with significant property exposures will likely be on the higher end of that range while HOAs with limited property exposures on the lower end. Keep in mind the main drivers for HOAs are more liability driven. Significant liability claims or umbrella carrier non renewals are what can cause a more noticeable increase on this line of coverage due to a lower % of the premium coming from the property line of coverage.
- **Heads Up: Items to Review that Could Potentially Increase Insurance Premiums Beyond Budget Recommendations:** There are several factors that can negatively impact insurance premiums that are NOT accounted for above. I encourage everyone to review the bulleted list below to see if any apply to your Property. If they do feel free to discuss with myself or Negar directly prior to formalizing your association's insurance budget...
- **Appraisal Updates:** If you are a 718 condo and haven't had an appraisal conducted in the past 36 months, then per the 718 statute, your association is due for an update prior to the next renewal. We've been seeing a significant rise in Replacement Cost Values in recent appraisals (increase in labor costs, materials, etc...). Historical annual averages are around 3% but in more recent appraisals we have seen this figure double to quadruple based on increased supply and labor costs. Since property insurance premiums are based in part on values, when the values increase, the premiums will as well. For example, if the association hasn't had an appraisal update in 3 years and the replacement values increase by 15% and the insurance rate stays the same the overall property premium will increase by 15%. If you add a projected 22.5% rate increase on top of a 15% increase in appraisal values you can see how quickly that premium can jump. The appraisal creates a double impact that will push some condos this year well over the recommended budget amount

above so please keep that in mind. If you can get those appraisals in before you finalize the budget that is always the best plan.

- **Claims Activity or Open Property Claims:** Any significant property or liability claims can absolutely impact premiums. Especially if your association is still dealing with an open roof claim that still has not been closed out and repaired. Most of these associations will have to stay with their insurance carrier until that claim is closed and rate increases can be significant with minimal options. Any assault & battery claims or any larger liability claims upwards of \$50K will put significant pressure not only on the general liability renewal pricing and terms but also the umbrella renewals. The umbrellas are getting hit just like the general liability and there is significant pulling back on that line of coverage as well (reduced limits, higher rates). If a claim gets on their radar they will likely non renew and the shift in carriers can add premium fast.
- **Roof Covering Age:** If the building roof coverings are over 15 years old, this could contribute to increased property rates, increased hurricane deductibles and reduced coverage. As the property market has hardened most carriers are starting to take the position that any roof coverings older than 15 years must be valued at Actual Cash Value (depreciated value). Carriers are also putting larger minimum % deductibles on these older roofs.
 - **Roof Replacements:** If your Association's roofs have been replaced since the last renewal, please notify our team so that we may update our files accordingly. This is vital to insuring we are getting the association the best rate possible. We know several associations have had new roofs from Hurricane Irma so please make sure you are communicating this information to our team.
- **Building Age (Surfside Impact):** This is still a fluid situation but post Surfside the insurance carriers are asking to see any structural reports the association is required to obtain by law. For example in Broward and Dade all property carriers are wanting to see copies of a completed 40 or 50 year recertification depending on the building age. We still have a few years until the new legislation passed earlier this year comes into play requiring the Phase I structural inspection reports but you can count on the carriers requiring these documents in the future for any condos 3 stories or taller and over 30 years old (25 years old with in 3 miles of the Ocean). Getting a head start on that now will be huge as this will be a major issue in future years for all of Florida. It is already impacting the entire State but particularly Dade and Broward. Bottom line the older the building the more the carriers are going to scrutinize building updates. It is more powerful then ever to show a clean structural report to underwriters as well as regular building system replacements.
- **Association Location:** It should come as no surprise as the closer to the coasts and the further South you are located in Florida can cause larger property rate increases. We see this also impact the liability rates, especially in Tri County (Dade, Broward, Palm Beach). We have had much more carrier pull back from the Tri County area than anywhere else in the State. Being located here is an absolute factor.
- **Carrier Insolvency:** Unfortunately, this is a reality of our current market. If you are with a property carrier that goes insolvent during the policy we will need to cancel and rewrite the program midterm. This can add significant premium costs. We were with that carrier because they were the best comb of premium & coverage. Chances are all other options were more expensive and we will now need to move to one of those options midterm.
- **Developer Control:** If your COA or HOA is still in the course of development it is vital that when you complete your budget for 2023 that you have a schedule of what buildings or homes are expected to be built and in place by the 2023 insurance renewal. When we add buildings or homes this adds increased exposures to the insurance program which will cause premiums to increase on the property, general liability, D&O and umbrella insurance programs. Same for additional amenities being added (pools, sports courts, cabanas, etc...) If you budget 20% over what you are paying in 2022 and you add 100 homes and a club house, the 20% isn't likely going to hold up.
- **Construction Defects:** When an association has unrepaired defects, depending on the type of defects, this can significantly reduce the pool of carriers that will offer quotes causing pressure on the predictions above.
 - **Defect Repairs:** If your association has completed the construction defect work since your 2022 insurance renewal please alert us as this can have a POSITIVE impact on the renewal premiums.

- **Aluminum Wiring:** If your association was built prior to the mid 1970's, and you have unprotected aluminum wiring in your buildings, this condition severely restricts the insurance carriers that will offer quotes on your account which causes pressure on the predictions above.
- **Restoration Projects:** If your association is scheduled to do major exterior repair work for construction defects you should discuss with us before budgeting. This needs to be properly disclosed to the insurance carrier and can cause pressure on predictions above. Remember that when construction work is done and defects are repaired rates will return to where they would be for a normal association.
- **High Value Property \$50M or More:** If your association has over \$50M in values please contact us for a personalized budget. The larger property values limit the property carrier options and can have different impacts on projections.
- **Hurricanes:** Historically we are still about 3 weeks out from the peak of hurricane season with another active 80 days to go. The projection is that 2022 will be an above normal storm year. If in 2022 a significant hurricane or hurricanes were to hit in the Gulf Coast it would only put further accelerate rate increase projections. It is actually a scary thought to think what will happen if this is an active season as the market is already in such turmoil.
- **Large Global Disasters:** As we witnessed with the 2011 Tsunami in Japan or Super Storm Sandy in 2012 or the 9/11 Terrorist Attacks, large insurable events that occur outside of our Gulf Coast area can have an overall impact on market rates. A large earthquake, tsunami, flood, etc... in a highly insured area anywhere on the globe can impact our future renewal rates on any insurance policy. The reinsurance carriers that provide our hurricane reinsurance here in Florida are providing reinsurance around the world so when large reinsurance losses occur it reduces the amount of reinsurance in the market thus driving up rates, supply vs. demand theory. Of course, the area that takes the large loss has the most profound rate increases but everyone feels it.
- **Governmental Interaction:** As we have experienced for years in Florida with CITIZENS, the Government can pass laws, change rules, or impose assessments, fees and taxes that that have impacts on the premiums we pay. This is even more relevant this year as CITIZENS has become a bigger player in the current condo association market. A good example from 2022 is the FIGA fee (Florida Insurance Guarantee Association). Due to the carrier insolvencies we noted above, the State has had to implement two separate FIGA fees over the last year, one for .7% and another for 1.3% of the total premium for all admitted lines of coverage. These fees are pass throughs the carriers collect for the State. They just add to the overall rate increase.

Any questions please do not hesitate to reach out anytime. Thank you all.

Your AP Condo Team,



Phillip Masi, CIRMS
Agency President



Negar Sharifi, CIRMS
Senior Vice President



2022 Community Association Insurance - Budget Projections

To All Our Managers: It is that time of year again when we release our annual community association insurance budget projections. As most of you have already seen, 2021 brought significant changes to the insurance marketplace. Up until recently Florida enjoyed 10+ years of unprecedented calm with no major hurricanes touching our shores. Then, in 2017, Irma hit followed by multiple years of catastrophic weather events. The carrier losses over the past few years have been so bad that it caused AmCap Insurance, one of the largest writers of condominium and HOA property insurance, to go into receivership April of 2021. Since AmCap's bankruptcy other carriers have significantly amended their underwriting appetite in Florida or have stopped offering policies in Florida altogether. Add on top of that the impacts from COVID and the Surfside building collapse and it should come as no surprise that we anticipate 2022 being another year of material rate increases.

Just as we have done for the past 10+ years, below we have provided a comprehensive explanation of our budget recommendation for the upcoming 2022 year.

The first two bullets below are our budget thoughts for COA's and HOA's respectively for 2022. The rest of the email goes over the various factors that may impact our projections such as updated (increased) appraisal values, claims, hurricanes, etc... Please take a moment to review these items as your particular association may be materially impacted by one of the categories listed. **It is extremely difficult to provide a one size fits all budget projection as things can change substantially association by association, so we encourage you to reach out to us if you are unsure.**

Thank you all again for your trust, any questions let us know...

- **Budget Outlook for Condo Associations & Townhome HOA's that Insure Like Condos: We suggest budgeting for a 17.5% overall annual increase for 2022.** It is important to note that this is just a best guess average, our feeling is most renewals will likely end up between 10%-25% overall range. We recommended budgeting for a 15% overall increase for 2021's budget and most associations came in above the 15% mark on average especially the further we got into 2021. The main driver in this is the increased property insurance rates which are impacted by the increased cost of reinsurance the property carriers in Florida have to purchase to protect themselves against

hurricanes. The main renewal date for Florida reinsurance is June 1st and July 1st. The reinsurance renewals for 2020 and 2021 have both been significant increases over prior years which then get passed down from the carriers to the associations. These reinsurance renewal increases are the largest we have seen since back in 2005/2006 time frame post Charlie, Wilma, Katrina, Jean, Frances, Ivan, Ike, etc... Record losses in 2017 (Irma, Maria, Harvey) followed up by Michael in 2018 and Dorian in 2019, and a record breaking number of storms in 2020 including Laura and 5 others that made landfall in the Gulf Coast. This has been compounded by the significant brush fire losses in California and several other significant loss events (Hailstorms, Mid West Derecho, etc...). COVID & the recent Surfside building collapse are two, out of the insurance norm events, that are also significantly impacting the insurance market. We expect to see property carriers not only continuing to increase rates in 2022 but also focus on making sure the property values are adequate, move older roofs to ACV valuations, and increase hurricane deductibles. In addition to the property market hardening we are also seeing significant liability market hardening (general liability & umbrella) especially on loss impacted accounts. Our job is to make sure we retain the best combination of coverages & deductibles for the price and we will continue to make sure we point out any changes year over year.

- **Appraisal Increases Reminder:** If you are due for your insurable value appraisal update you need to consider that in your budget figures. Historically on average these appraisals increase 3% or so a year but with the significant rise in material cost and labor post COVID we are seeing much more significant year over year increases so it can add an additional 5%-20%+ to the property premium depending on how long it has been since your last update. Make sure you review the “Heads Up” bullets below for more of these issues to look out for.
- **Budget Outlook for HOA's: We suggest budgeting a 17.5% overall increase in 2022.** Last year we recommended 15% for HOA's. Much like our recommendation on the condos above we are expecting that same renewal pricing range of 10%-25% on most HOAs. The HOA's are more liability rate driven then property rate driven. As noted above liability rate increases are significant in our current market. Most of this is being driven by the increased slip and fall claims and claim pay outs. Compounding this issue is a significant tightening in the umbrella market. Associations that have material general liability losses are finding themselves increasingly unable to continue with their existing umbrella program. Having to move umbrella programs can cause significant upward pressure on the umbrella premium. We also continue to see HOA insurance carriers pulling out of the State of Florida or pulling back on their liability offerings which is reducing the number of potential carriers thus decreasing competition. The expectation is that HOA's will continue to see rate rise on the liability side and of course any property they have is going to be impacted in the same way the condo associations are. Carriers are also becoming tougher on insuring “property in the open” items like gates, walls, playgrounds, etc... These items make up large % of the HOA property.
- **Helpful Third Party Article:** I have an endless supply of articles I can provide you and your boards for back up to what we are seeing in the market that is causing these increased budget estimates. This particular article is Florida property insurance focused. It was put out by one of the major wholesale brokers we do business with.

**[CLICK HERE](#) - Florida Condominium Property
Insurance Marketplace: Real-Time Update**

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- **Appraisal Updates:** If you are a 718 condo and haven't had an appraisal conducted in the past 36 months, then per the 718 statute, your association is due for an update prior to the next renewal. We've been seeing a rise in Replacement Cost Values in recent

appraisals (increase in labor costs, materials, etc...). Historical annual averages are around 3% but in more recent appraisals we have seen this figure double to triple based on increased supply and labor costs. Since property insurance premiums are based in part on values, when the values increase, the premiums will as well. For example, if the association hasn't had an appraisal update in 3 years and the replacement values increase by 15% and the insurance rate stays the same the overall property premium will increase by 15%. If you add a projected 15% rate increase on top of a 15% increase in appraisal values you can see how quickly that premium can jump. The appraisal creates a double impact that will push some condos this year well over the recommended budget amount above so please keep that in mind. If you can get those appraisals in before you finalize the budget that is always the best plan.

- **Claim Activity of Current Open Irma Claims:** Any significant property or liability claims can absolutely impact premiums. Especially if your association is still dealing with an open Irma claim that still has not been closed out and repaired. Most of these associations will have to stay with their insurance carrier until that claim is closed and rate increases can be significant with minimal options. Any assault & battery claims or any larger liability claims upwards of \$50K will put significant pressure not only on the general liability renewal pricing and terms but also the umbrella renewals. The umbrellas are getting hit just like the general liability and there is significant pulling back on that line of coverage as well (reduced limits, higher rates). If a claim gets on their radar they will likely non renew and the shift in carriers can add premium fast.
- **Developer Control:** If your COA or HOA is still in the course of development it is vital that when you complete your budget for 2022 that you have a schedule of what buildings or homes are expected to be built and in place by the 2022 insurance renewal. When we add buildings or homes this adds increased exposures to the insurance program which will cause premiums to increase on the property, general liability, D&O and umbrella insurance programs. Same for additional amenities being added (pools, sports courts, cabanas, etc...) If you budget 17.5% over what you are paying in 2021 and you add 100 homes and a club house, the 17.5% isn't going to hold up.
- **Flood Insurance:** Projecting the 2022 flood premiums is very difficult because the NFIP (National Flood Insurance Program) is completely overhauling their flood rating system for 2022. We should start seeing our first quotes in Q4 of 2021. Our hope is that the new rating system will not drastically increase the current flood premiums, but no one can project this yet. If your association pays a significant amount of flood premiums, we recommend you circle back with us later in the year so we can update you on the flood rate projections for 2022 as more information comes in.
- **Building Age (Surfside Impact):** Post surfside we feel new underwriting requirements are going to come in from either Local, State or Federal governments as well as from the insurance carriers insuring these buildings. This is still a very fluid situation, but my best guess is that buildings over a certain age and size are likely going to need to provide some type of structural engineering report that was previously not required. These reports maybe similar to what is currently being required in Broward and Dade Counties with the recertification's. We will have to see how this plays out but I expect we will have less carrier options with more underwriting hoops to jump through for our older buildings. This will likely impact rates and coverage on older associations.
- **Roof Covering Age:** If the building roof coverings are over 15 years old, this could contribute to increased property rates, increased hurricane deductibles and reduced coverage. As the property market has hardened most carriers are starting to take the position that any roof coverings older then 15 years must be valued at Actual Cash Value (depreciated value). Carriers are also putting larger minimum % deductibles on these older roofs.
 - **Roof Replacements:** If your Association's roofs have been replaced since the last renewal, please notify our team so that we may update our files accordingly. This is vital to insuring we are getting the association the best rate possible. We know

several associations have had new roofs from IRMA so please make sure you are communicating this information to our team.

- **Construction Defects:** When an association has unrepaired defects, depending on the type of defects, this can significantly reduce the pool of carriers that will offer quotes causing pressure on the predictions above.
 - **Defect Repairs:** If your association has completed the construction defect work since your 2021 insurance renewal please alert us as this can have a POSITIVE impact on the renewal premiums.
- **Aluminum Wiring:** If your association was built prior to the mid 1970's, and you have unprotected aluminum wiring in your buildings, this condition severely restricts the insurance carriers that will offer quotes on your account which causes pressure on the predictions above.
- **Restoration Projects:** If your association is scheduled to do major exterior repair work for construction defects you should discuss with us before budgeting. This needs to be properly disclosed to the insurance carrier and can cause pressure on predictions above. Remember that when construction work is done and defects are repaired rates will return to where they would be for a normal association.
- **High Value Property \$50M or More:** If your association has over \$50M in values please contact us for a personalized budget. The larger property values limit the property carrier options and can have different impacts on projections.
- **CITIZENS:** If your association is with CITIZENS insurance company, especially if it is over 30 years old, we need to separately discuss your budget figures.
- **Hurricanes:** Historically we are still about 2 weeks out from the peak of hurricane season with another active 80 days to go. We are already off to a fast start with an G named storm already in the mix in early August. The projection is that 2021 will be an above normal storm year. If in 2021 a significant hurricane or hurricanes were to hit in the Gulf Coast it would only put further accelerate rate increase projections. It is actually a scary thought to think what will happen if this is an active season as the market is already in such turmoil.
- **Large Global Disasters:** As we witnessed with the 2011 Tsunami in Japan this event was so catastrophic to a highly insured area (Japan) that the total insured losses for the event were so large that they had widespread impacts on global insurance rates. Another event like this, large earthquakes, tsunamis, floods, etc... can negatively impact our rates here at home. The reason for this is that the same reinsurance carriers that provide our hurricane reinsurance here in Florida are providing reinsurance around the world so when large reinsurance losses occur it reduces the amount of reinsurance in the market thus driving up rates, supply vs. demand theory. Of course the area that takes the large loss has the most profound rate increases but everyone feels it.
- **Governmental Interaction:** As we have experienced for years in Florida with CITIZENS, the Government can pass laws, change rules or impose assessments, fees and taxes that that have impacts on the premiums we pay. This is even more relevant this year as CITIZENS has become a bigger player in the current condo association market.

Any questions please do not hesitate to reach out anytime. Thank you all.

Your AP Condo Team,

Phillip Masi & Negar Sharifi

[Prior Annual Budget Emails - Click Here!](#)



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Please remember that insurance coverage cannot be bound or changed by leaving an electronic message or voice mail message. Thank you.

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Any statements contained herein relating to the impact of COVID-19 and/or the coronavirus on insurance coverage or any insurance policy is not a legal opinion, warranty, or guarantee and should not be relied upon as such. The situation surrounding COVID-19/coronavirus is changing constantly; as a result, any discussions that might take place may not necessarily reflect the latest information regarding recently-enacted, or pending or proposed legislation or guidance that could override, alter or otherwise affect existing insurance coverage. Answers to policy-specific questions will always depend on the terms and conditions of an individual policy and the specific facts relating to a potential claim. As insurance agents/brokers, we do not have the authority to make coverage decisions or render legal advice.

From: Phil Masi

Sent: Thursday, August 8, 2019 11:09 AM

Cc: Negar Sharifi <negar.sharifi@assuredpartners.com>

Subject: Budget Email - 2020 Association Insurance Outlook - Assured Partners (Phil Masi & Negar Sharifi)

Importance: High

To All Our Managers: I hope Summer is going well for all of you. It is that time of year again for our annual community association insurance budget email. Just like we do every year we have created a comprehensive email to discuss the state of the association insurance market and provide budget recommendations for the upcoming 2020 insurance renewals. The first two bullets below are our budget thoughts for COAs and HOAs respectively for 2020. The rest of the email goes over the various items that may impact our projections per association such as updated (increased) appraisal values, claims, hurricanes, etc... Please take a moment to review those items and if your association has one of those issues please call or email us and we can provide you a custom budget figure for your property. Even if your association doesn't have one of those issues we are still happy to provide custom budgets for any association that needs it. It is very difficult to provide a one size fits all budget projection as things can change substantially association by association. Included below this email are all the prior annual budget emails we have done from way back in 2012 in case you are bored and want to see how we did in prior year projections =). Thank you all again for your trust, any questions let us know...

- **Budget Outlook for Condo Associations & Townhome HOAs that Insure Like Condos:** [We suggest budgeting for a 10% overall annual increase for 2020.](#) Property insurance is the main premium driver for these associations. The property insurance market proved resilient the first half of 2019 after record losses in 2017 (Irma, Maria, Harvey, California wildfires, Mexico quake, etc...) followed up in 2018 by one of the strongest hurricanes to ever hit anywhere with Hurricane Michael. Early in 2019 property rates on average were up low to mid-single digits until about June 1st when the property reinsurance treaties (insurance company insurance) started to renew for Florida. After two poor performing loss years the reinsurance markets pushed rate increases onto our Florida property carriers. The size of the rate increases began to increase closer to 10% or more depending on the property characteristics (age, roofs, location, size, etc...). We expect this pattern to continue at least into the first half of 2020. In addition to the property rate pressure we are seeing significant pressure on the general liability coverage line. The areas of Florida being particularly effected are Tri-County and Associations with poor liability claim history but everyone is seeing some rate lift. Carriers are also pushing to add onerous exclusions onto renewals, be mindful of this when reviewing your 2020 renewals. Two Additional quick notes...
 - **NEW Landscape Coverage:** Associations currently insured by AmCap for their property insurance will be eligible in 2020 to purchase landscaping and debris insurance coverage for hurricane losses. Many of you are aware I have been working to bring this product to the market for a long time (3+ years). Currently nothing like it exists. This will be a brand new insurance that boards have not had the opportunity to consider before. Most of us know firsthand post Irma how expensive the landscaping replacement and debris clean up can be. This product can help supplement what you are budgeting separately for these landscape & debris removal costs. As long as you have this in your budget we should be able to make this product work by reducing that budget line. If you do NOT have a budget currently for hurricane landscaping & debris removal then you may want

to consider increasing the overall insurance budget by 11%-13%. For now this is ONLY available for association insured with AmCap through our Agency.

- **Appraisal Increases Reminder:** If you are due for your insurable value appraisal update you need to consider that in your budget figures. On average these appraisals increase 3% or so a year so it can add an additional 5%-15% to the property premium depending on how long it has been since your last update. Make sure you review the “Heads Up” bullets below for more of these issues to look out for
- **Budget Outlook for HOAs:** [We suggest budgeting a 15% overall increase in 2020.](#) The main reason for the larger increase on the HOA's is that HOAs tend to have a higher % of their overall premium in the liability lines (general liability, D&O & Umbrella). Last year I noted a major player in the HOA market place was pulling back. That was just the beginning as several more of the major markets have either stopped writing HOA liability in Florida or they have substantially increased the rates or added onerous exclusions. There isn't much premium on some of these HOAs so a small dollar increase can hit a large % of the overall quicker. There will no doubt be many HOAs with increases well above 15% so if you have additional room to budget, especially if you have had claims in the past 5 years, it is prudent to budget more if possible.
- **Heads Up: Items that Could Potentially Increase Insurance Premiums:** There are several factors that can negatively impact insurance premiums that are NOT accounted for above. I encourage everyone to review the bulleted list below to see if any apply to your Property. If they do feel free to discuss with me or Negar directly prior to formalizing your association's insurance budget...
 - **Appraisal Updates:** If you are a condo and haven't had an appraisal conducted in the past 36 months, then per the 718 statute, your association is due for an update prior to the next renewal. We've been seeing a rise in Replacement Cost Values in recent appraisals (increase in labor costs, materials, etc...). Annual averages are around 3%. Since property insurance premiums are based in part on values, when the values increase, the premiums will as well. For example, if the association hasn't had an appraisal update in 3 years and the replacement values increase by 10% and the rate falls by 5% you are still looking at an approximate 5% increase at renewal. What is more common this year is that the rate will increase by 5% or 10% in addition to the appraisal creating a double impact. That will push some condos this year closer to 20% as the increased exposures and rates hit at the same time. Just be aware of that.
 - **Claim Activity:** In the past we would focus more on property claims but for the 2020 renewal the more relevant claims will be any liability claims. Any assault & battery claims or any larger claims upwards of \$50k will put significant pressure not only on the general liability renewal pricing and terms but also the umbrella renewals. The umbrellas are getting hit just like the general liability and they are starting to pull back as well. If a claim gets on their radar they will likely non renew and the shift in carriers can add premium fast.
 - **Developer Control:** If your COA or HOA is still in the course of development it is vital that when you complete your budget for 2020 that you have a schedule of what buildings or homes are expected to be built and in place by the 2020 insurance renewal. When we

add buildings or homes this adds increased exposures to the insurance program which will cause premiums to increase on the property, general liability, D&O and umbrella insurance programs. Same for additional amenities being added (pools, sports courts, cabanas, etc...)

- **Flood Insurance:** If your association has a large percentage of its overall insurance premiums in flood insurance you can expect the flood premiums to continue to increase in 2020. The Federal Government continues to kick the can down the road with the NFIP reauthorizations and there is no telling what will happen to the market if they actually enact new legislation in 2020. Building in some additional cushion is advisable for larger flood programs. Right now increases appear to be small, only about 1% to 3% but again legislation can change that on us with little warning.
- **Roof Covering Age:** If the building roof coverings are over 20 years old, this could contribute to increased property rates. Especially for communities with original roofs from the 80's or 90's. Roof age is the #1 property rate driver.

I. **Roof Replacements:** If your Association's roofs have been replaced since the last renewal, please notify our team so that we may update our files accordingly. This is vital to insuring we are getting the association the best rate possible. We know several associations have had new roofs from IRMA so please make sure you are communicating this information to our team.

- **Construction Defects:** When an association has unrepaired defects, depending on the type of defects, this can significantly reduce the pool of carriers that will offer quotes causing pressure on the predictions above.

I. **Defect Repairs:** If your association has completed the construction defect work since your 2019 insurance renewal please alert us as this can have a POSITIVE impact on the renewal premiums.

- **Aluminum Wiring:** If your association was built prior to the mid 1970's, and you have unprotected aluminum wiring in your buildings, this condition severely restricts the insurance carriers that will offer quotes on your account which causes pressure on the predictions above.
- **Restoration Projects:** If your association is scheduled to do major exterior repair work for construction defects you should discuss with us before budgeting. This needs to be properly disclosed to the insurance carrier and can cause pressure on predictions above. Remember that when construction work is done and defects are repaired rates will return to where they should be.
- **High Value Property \$100M or More:** If your association has over \$100M in values please contact us for a personalized budget. The larger property values limit the property carrier options and can have different impacts on projections.
- **CITIZENS:** If your association is with CITIZENS insurance company, especially if it is over 30 years old, we need to separately discuss your budget figures.

- **Hurricanes:** The historically we are just hitting the peak of hurricane season with another active 60 days to go. If a category 3 or higher storm makes landfall in the US, especially the Gulf Coast, this could have a negative impact on property insurance rates in 2020. The larger the storm and the higher populated area it hits the worst the impact would be.

- **Large Global Disasters:** As we witnessed with the 2011 Tsunami in Japan this event was so catastrophic to a highly insured area (Japan) that the total insured losses for the event were so large that they had wide spread impacts on global insurance rates. Another event like this, large earthquakes, tsunamis, floods, etc... can negatively impact our rates here at home.

- **Governmental Interaction:** As we have experienced for years with CITIZENS, the Government can pass laws, change rules or impose assessments, fees and taxes that that have impacts on the property premiums we pay.

Any questions please do not hesitate to reach out anytime. Thank you all.

Phillip Masi, CIRMS
Agency President



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From: Phil Masi

Sent: Tuesday, September 18, 2018 4:41 PM

Cc: Negar Sharifi <negar.sharifi@assuredpartners.com>

Subject: Budget Email - 2019 Association Insurance Outlook - Assured Partners (Phil Masi & Negar Sharifi)

Importance: High

To All Our Managers: I hope budget season is treating everyone well. It is that time of year again for our annual community association insurance budget email. Just like we do every year, we have created a comprehensive email to discuss the state of the association insurance market and provide budget recommendations for the upcoming 2019 renewals. The first two bullets below are our budget thoughts for COAs and HOAs respectively for 2019. The rest of the email goes over the various items that may impact our projections per association such as updated (increased) appraisal values, storms, claims, etc... Please take a moment to review those items and if your association has one of those issues please call or email us and we can provide you a custom budget figure for your property. Even if your association doesn't have one of those issues we are still happy to provide custom budgets for any association that needs it. It is very difficult to provide a one size fits all budget projection as things can change substantially association by association. Also, included below this email are all the prior annual budget emails we have done from way back in 2012 in case you are bored and want to see how we did in prior year projections =). Thank you all again for your trust, any questions let us know...

- **Budget Outlook for COAs & HOAs that Buy Master Property Insurance on Buildings (Townhomes):** Property insurance is the main premium driver for these associations. The property insurance market proved resilient in 2018 after record losses in 2017 (Irma, Maria, Harvey, California wildfires, Mexico quake, etc...) The property market is getting challenged again in 2018 with Hurricane Florence hitting the Carolinas last week as well as additional wild fire claims, hail losses, typhoons, etc... With the abundance of capital available we expect the property market to remain resilient in 2019. While we expect property rates to be close to flat, we believe it would be prudent to budget a 5% increase to the overall 2019 annual insurance premium budget. Most associations in 2018 will likely see a close to flat renewal but building in a little padding is advisable considering how quickly things can change in this market. There is also some pressure on the general liability pricing as well as potentially new products covering association landscaping for wind and pollution liability. Building in an increase of 5% will help us look to fold those coverages in as well. *(NOTE: There are several factors that could be in place at your association that could negatively impact this outlook (especially if you are due for an appraisal update in 2019). Make sure you review the "Heads Up" bullet below.)*
- **Budget Outlook for HOAs:** We suggest budgeting a 10% overall increase in 2019. The main reason for the larger increase on the HOA's is that HOAs tend to have a higher % of their overall premium in the liability lines (general liability, D&O & Umbrella). A major player in the HOA liability market is pulling back significantly which may lead to some non-renewals and pricing increases in 2019. There just isn't as much room for error on the HOAs as the premiums tend to be lower and 10% can hit really quick. *(Note: Again note the bullets below that explain the factors that can impact this projection especially if you have had a lot of claim activity at the association OR if you are still under development and are adding additional buildings, amenities, etc...)*

- **Heads Up: Items that Could Potentially Increase Insurance Premiums:** There are several factors that can negatively impact insurance premiums that are NOT accounted for above. I encourage everyone to review the bulleted list below to see if any apply to your Property. If they do feel free to discuss with me or Negar directly prior to formalizing our association's insurance budget:
 - **Appraisal Updates:** If you are a condo and haven't had an appraisal conducted in the past 36 months, then per the 718 statute, your association would be due for an update prior to the next renewal. We've been seeing a rise in Replacement Cost Values in recent appraisals (increase in labor costs, materials, etc...). Since property insurance premiums are based in part on values, when the values increase, the premiums will as well. For example, if the association hasn't had an appraisal update in 3 years and the replacement values increase by 10% and the rate falls by 5% you are still looking at an approximate 5% increase at renewal.
 - **Flood Insurance:** If your association has a large percentage of it's overall insurance premiums in flood insurance you can expect the flood premiums to continue to increase in 2019. The Federal Government continues to kick the can down the road with the NFIP reauthorizations and there is no telling what will happen to the market if they actually enact new legislation in 2019. Building in some cushion is advisable.
 - **Developer Control:** If your COA or HOA is still in the course of development it is vital that when you complete your budget for 2018 that you have a schedule of what buildings or homes are expected to be built and in place by the 2019 insurance renewal. When we add buildings or homes this adds increased exposures to the insurance program which will cause premiums to increase on the property, general liability, D&O and umbrella insurance programs. Same for additional amenities being added (pools, sports courts, cabanas, etc...)
 - **Roof Covering Age:** If the building roof coverings are over 20 years old, this could contribute to increased property rates. Especially for communities with original roofs from the 80's or 90's.

I. **Roof Replacements:** If your Association's roofs have been replaced since the last renewal, please notify our team so that we may update our files accordingly. This is vital to insuring we are getting the association the best rate possible. We know several associations have had new roofs from IRMA so please make sure you are communicating this information to our team.

- **Aluminum Wiring:** If your association was built prior to the mid 1970's, and you have unprotected aluminum wiring in your buildings, this condition severely restricts the insurance carriers that will offer quotes on your account which causes pressure on the predictions above.
- **Construction Defects:** Similar to the aluminum wiring, when an association has unrepaired defects, depending on the type of defects, this can significantly reduce the pool of carriers that will offer quotes causing pressure on the predictions above.

I. Defect Repairs: If your association has completed the construction defect work since your 2018 insurance renewal please alert us as this can have a POSITIVE impact on the renewal premiums.

- **Restoration Projects:** If your association is scheduled to do major exterior repair work for construction defects you should discuss with us before budgeting. This needs to be properly disclosed to the insurance carrier and can cause pressure on predictions above. Remember that when construction work is done and defects are repaired rates will return to where they should be.
- **High Value Property \$100M or More:** If your association has over \$100M in values please contact us for a personalized budget. The larger property values limit the property carrier options and can have different impacts on projections.
- **CITIZENS:** If your association is with CITIZENS insurance company, especially if it is over 30 years old, we need to separately discuss your budget figures.
- **Claims:** If your association has had any large property claims (fires, water damage, sinkholes, etc...) this can cause upward pressure on rates. Sinkholes specifically can cause significant rate increases. This also applies to the general liability policy & D&O policies. Large slip and fall, assault & battery or monetary demands can have significant impacts on those renewal lines as well.
- **Hurricanes:** The historically we are just hitting the peak of hurricane season with another active 45 days to go. If a category 3 or higher storm makes landfall in the US, especially the Gulf Coast, this could have a negative impact on property insurance rates in 2019. The larger the storm and the higher populated area it hits the worst the impact would be.
- **Large Global Disasters:** As we witnessed with the 2011 Tsunami in Japan this event was so catastrophic to a highly insured area (Japan) that the total insured losses for the event were so large that they had wide spread impacts on global insurance rates. Another event like this, large earthquakes, tsunamis, floods, etc... can negatively impact our rates here at home.

- **Governmental Interaction:** As we have experienced for years with CITIZENS, the Government can pass laws, change rules or impose assessments, fees and taxes that that have impacts on the property premiums we pay.

Again if you want a custom budget for your community we are happy to provide that to you. Just email us and let us know. Thank you all very much for everything. Good luck with the rest of storm/budget season!!!

Phillip Masi, CIRMS
Senior Vice President



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From: Phil Masi

Sent: Tuesday, October 17, 2017 10:26 AM

Cc: Negar Sharifi <negar.sharifi@assuredpartners.com>

Subject: RE: Budget Email - 2018 Association Insurance Outlook - Assured Partners (Phil Masi & Negar Sharifi) - POST HURRICANE UPDATE

Importance: High

To All Our Managers: We provided our 2018 budget email back on August 10th (attached below). We included caveats related to hurricanes & global disasters as we do each year. Since we provided the email below Hurricanes Harvey, Irma, Maria and Nate have hit the US & Caribbean. Mexico City had a devastating earth quake and currently California is seeing unprecedented wild fires. These events are predicted to cost over \$100 Billion in insured losses which will make 2017 one of the worst years on record. We are keeping a close eye on what the reinsurance markets are projecting and how all of this may impact property rates for us here in Florida in 2018. It is still way too early to know for sure as the next round of reinsurance renewals isn't until January 1st but many of you are finalizing budgets now and cannot wait any longer for additional guidance. In the original budget email below we recommended condos budget for an overall increase of 3% and HOAs for an overall increase of 5%. Based on what has occurred and what we are hearing in the market I believe it is prudent to increase those figures to approximately 10% for both condos and HOAs. My personal expectation is that many of our clients will end up being closer to a flat to up 5% for the 2018 renewal and we may be able to get away with what was originally budgeted but there is enough uncertainty that I believe it is prudent to budget higher to be safe. I understand many of you are already deep into the budget process and 10% may not be feasible. If this is the case any additional room you can work into the insurance figure makes sense to do. The good news is that as bad as this year was the potential increases in the market are nominal. They are nowhere near the doubling and tripling we saw after 2004 and 2005. There is still PLENTY of money in the reinsurance market so we are not expecting a significant increase but of course the older roofs, worse construction, more seaward accounts will see the most pressure. Our goal with this email is just to give you the latest information we are seeing in the market so you have the best information to use to finalize your budgets. Hopefully none of this comes as a surprise to the boards as we all lived through it together this last 60 days. Any questions or account specific items please let us know. We are happy to talk through this in detail on an account by account basis if necessary. Thank you all again.

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From: Phil Masi

Sent: Thursday, August 10, 2017 2:57 PM

Cc: Negar Sharifi <negar.sharifi@assuredpartners.com>

Subject: Budget Email - 2018 Association Insurance Outlook - Assured Partners (Phil Masi & Negar Sharifi)

Importance: High

To All Our Managers: Happy Budget Season... it is that time of year again for our annual community association insurance budget email. The community association insurance outlook for 2018 remains positive. Every time we think we are starting to see a bottoming out of the property insurance rates they continue to surprise us and go lower. With that said we still do not think it is prudent to budget a decrease as there are too many factors out of all of our control that can impact these rates over the next year. The first two bullets below are our budget thoughts for COAs and HOAs respectively for 2018. The rest of the email goes over the various items that may impact our projections per association such as updated (increased) appraisal values, storms, claims, etc... Please take a moment to review those items and if your association has one of those items in play please call or email us and we can provide you a custom budget figure for your property. Even if your association doesn't have one of those issues we are still happy to provide custom budgets for any association that needs it. Also included below this email are all the prior annual budget emails we have done from way back in 2012 in case you are bored and want to see how we did in prior year projections =). Thank you all again for your trust, any questions let us know...

- **Budget Outlook for COAs & HOAs that Buy Master Property Insurance on Buildings (townhomes):** As you all know the property insurance premium is the main cost driver of the overall insurance program. For the past 5 years, property premiums have been decreasing mainly due to the lack of storms and influx of investment capital into the reinsurance market. While we expect rates to continue to flatten or decrease, we believe it would be prudent to budget a modest 3% inflationary increase to the overall annual insurance premium budget. Most associations in 2018 will likely see a flat renewal to slight decrease but building in a little padding is advisable considering how quickly things can change in this market. *(NOTE: There are several factors that could be in place at your association that could negatively impact this outlook (especially if you are due for an appraisal update in 2018). Make sure you review the "Heads Up" bullet below.)*
- **Budget Outlook for HOAs:** We suggest budgeting a 5% overall increase in 2018. The reason is that we continue to see a slight upward trend on the General Liability & Directors & Officers rates and since the property insurance premiums are a much lower overall percentage of the association's annual premiums the rate decrease in the property will not offset the liability rate increases in the same way as it would a condo. *(Note: Again note the bullets below that explain the factors that can impact this projection especially if you have had a lot of claim activity at the association OR if you are still under development and are adding additional buildings, amenities, etc...)*
- **Heads Up: Items that Could Potentially Increase Insurance Premiums:** There are several factors that can negatively impact insurance premiums that are NOT accounted for above. I encourage everyone to review the bulleted list below to see if any apply to your Property. If they do feel free to discuss with me or Negar directly prior to formalizing our association's insurance budget:

- **Appraisal Updates:** If you are a condo and haven't had an appraisal conducted in the past 36 months, then per the 718 statute, your association would be due for an update prior to the next renewal. We've been seeing a rise in Replacement Cost Values in recent appraisals (increase in labor costs, materials, etc...). Since property insurance premiums are based in part on values, when the values increase, the premiums will as well. For example, if the association hasn't had an appraisal update in 3 years and the replacement values increase by 10% and the rate falls by 5% you are still looking at an approximate 5% increase at renewal.
- **Flood Insurance:** If your association has a large percentage of it's overall insurance premiums in flood insurance you can expect the flood premiums to continue to increase in 2018. We are projecting a 10% increase in Flood and this will of course impact the overall premium even if the property insurance remains flat.
- **Developer Control:** If your COA or HOA is still in the course of development it is vital that when you complete your budget for 2018 that you have a schedule of what buildings or homes are expected to be built and in place by the 2018 insurance renewal. When we add buildings or homes this adds increased exposures to the insurance program which will cause premiums to increase on the property, general liability, D&O and umbrella insurance programs. Same for additional amenities being added (pools, sports courts, cabanas, etc...)
- **Roof Covering Age:** If the building roof coverings are over 20 years old, this could contribute to increased property rates. Especially for communities with original roofs from the 80's or 90's.

I. **Roof Replacements:** If your Association's roofs have been replaced since the last renewal, please notify our team so that we may update our files accordingly. This is vital to insuring we are getting the association the best rate possible.

- **Aluminum Wiring:** If your association was built prior to the mid 1970's, and you have unprotected aluminum wiring in your buildings, this condition severely restricts the insurance carriers that will offer quotes on your account which causes pressure on the predictions above.
- **Construction Defects:** Similar to the aluminum wiring, when an association has unrepaired defects, depending on the type of defects, this can significantly reduce the pool of carriers that will offer quotes causing pressure on the predictions above.

I. **Defect Repairs:** If your association has completed the construction defect work since your 2017 insurance renewal please alert us as this can have a POSITIVE impact on the renewal premiums.

- **Restoration Projects:** If your association is scheduled to do major exterior repair work for construction defects you should discuss with us before budgeting. This needs to be properly disclosed to the insurance carrier and can cause pressure on predictions above. Remember that when construction work is done and defects are repaired rates will return to where they should be.

- **CITIZENS:** If your association is with CITIZENS insurance company, especially if it is over 30 years old, we need to separately discuss your budget figures.
- **Claims:** If your association has had any large property claims (fires, water damage, sinkholes, etc...) this can cause upward pressure on rates. Sinkholes specifically can cause significant rate increases. This also applies to the general liability policy & D&O policies. Large slip and fall, assault & battery or monetary demands can have significant impacts on those renewal lines as well.
- **Hurricanes:** The historically three busiest hurricane months are still ahead of us (August, September, October). If a category 3 or higher storm makes landfall in the US, especially the Gulf Coast, this could have a negative impact on property insurance rates in 2018. The larger the storm and the higher populated area it hits the worst the impact would be.
- **Large Global Disasters:** As we witnessed with the 2011 Tsunami in Japan this event was so catastrophic to a highly insured area (Japan) that the total insured losses for the event were so large that they had wide spread impacts on global insurance rates. Another event like this, large earthquakes, tsunamis, floods, etc... can negatively impact our rates here at home.
- **Governmental Interaction:** As we have experienced for years with CITIZENS, the Government can pass laws, change rules or impose assessments, fees and taxes that that have impacts on the property premiums we pay.

Again if you want a custom budget for your community we are happy to provide that to you. Just email us and let us know. Thank you all very much for everything. Good luck with storm/budget season!!!

Phillip Masi, CIRMS
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Please remember that insurance coverage cannot be bound or changed by leaving an electronic message or voice mail message. Thank you.

From: Phil Masi

Sent: Thursday, August 18, 2016 3:16 PM

Cc: Negar Sharifi <nsharifi@assuredptr.com>; Jennica Mandarano <jmandarano@assuredptr.com>; Ashley Dyroff <adyroff@assuredptr.com>; Danielle Mattson <dmattson@assuredptr.com>; dharrison@assuredptr.com

Subject: Budget Email - 2017 Association Insurance Outlook - Assured Partners (Phil Masi & Negar Sharifi)

Importance: High

To All Our Managers: Below is our 2017 association insurance budget outlook email. I know everyone is tight on time so the top three bullets are the most important to review for the condo and HOA budget recommendations but I encourage everyone to at least skim the 4th bullet as one of these items maybe present at your Community and could materially impact the budget recommendation provided. If you have any specific questions about your Association, please reach out to us directly at any time...

- **Personal Development (Brown & Brown to Assured Partners Move):** As most of you know Negar and I are no longer with Brown & Brown as of June of this year. We have attached the press release in case anyone wishes to review. It has been almost three months and things are going very well. Our team is also coming together nicely, besides Negar and myself we also have Jennica Mandarano heading up service along with Danielle Mattson and Ashley Dyroff heading up marketing along with Danielle Harrison. Any questions you have for us on this matter please feel free to contact us anytime.
- **Budget Outlook for COAs & HOAs that Buy Master Property Insurance on Buildings:** As you all know the property insurance premium is the main cost driver of the overall insurance program. For the past 4 years, property premiums have been decreasing mainly due to the lack of storms. While we expect another decrease of around 1%-3% , we believe it would be prudent to budget a modest 1% to 3% inflationary increase to the annual insurance premium budget. Most associations in 2017 will likely see a flat renewal to slight decrease but building in a little padding is advisable considering how quickly things can change in this market. *(NOTE: There are several factors that could be in place at your association that could negatively impact this outlook (especially if you are due for an appraisal update in 2017). Make sure you review the 4th bullet down.)*
- **Budget Outlook for HOAs that DON'T Buy Master Property Insurance:** We suggest budgeting a 5% overall increase in 2017. The reason is that we are seeing a slight upward trend on the General Liability, Directors & Officers and Umbrella insurance rates and not a decrease like on the Property policy. They aren't increasing dramatically but enough that most HOA's will likely see a flat to 5% increase in 2017.
- **Heads Up: Items that Could Potentially Increase Insurance Premiums:** There are several factors that can negatively impact insurance premiums that are NOT accounted for above. I encourage everyone to review the bulleted list below to see if any apply to your Property. If they do feel free to discuss with me or Negar directly prior to formalizing our association's insurance budget:
 - **Appraisal Updates:** If you haven't had an appraisal conducted in the past 36 months, then per the 718 statute, your Condominium Association would be due for an update. We've been seeing a rise in Replacement Cost Values in recent appraisals (increase in labor

costs, materials, etc...). Since property insurance premiums are based in part on values, when the values increase, the premiums will as well. For example, if the association hasn't had an appraisal update in 3 years and the replacement values increase by 10% and the rate falls by 5% you are still looking at an approximate 5% increase at renewal.

- **Flood Insurance:** If your association has a large percentage of it's overall insurance premiums in flood insurance you can expect the flood premiums to continue to increase in 2017. We are projecting a 10%-20% increase and this will of course impact the overall premium even if the property insurance remains flat.
- **Developer Control:** If your COA or HOA is still in the course of development it is vital that when you complete your budget for 2017 that you have a schedule of what buildings or homes are expected to be built and in place by the 2017 insurance renewal. When we add buildings or homes this adds increased exposures to the insurance program which will cause premiums to increase on the property, general liability, D&O and umbrella insurance programs.
- **Roof Covering Age:** If the building roof coverings are over 15 years old, this could contribute to increased property rates. Especially for communities with original roofs from the 80's or 90's.

I. Roof Replacements: If your Association's roofs have been replaced since the last renewal, please notify our team so that we may update our files accordingly. This is vital to insuring we are getting the association the best rate possible.

- **Aluminum Wiring:** If your association was built prior to the mid 1970's, and you have unprotected aluminum wiring in your buildings, this condition severely restricts the insurance carriers that will offer quotes on your account which causes pressure on the predictions above.
- **Construction Defects:** Similar to the aluminum wiring, when an association has unrepaired defects, depending on the type of defects, this can significantly reduce the pool of carriers that will offer quotes causing pressure on the predictions above.

I. Defect Repairs: If your association has completed the construction defect work since your 2016 insurance renewal please alert us as this can have a POSITIVE impact on the renewal premiums.

- **Restoration Projects:** If your association is scheduled to do major exterior repair work for construction defects you should discuss with us before budgeting. This needs to be properly disclosed to the insurance carrier and can cause pressure on predictions above. Remember that when construction work is done and defects are repaired rates will return to where they should be.
- **CITIZENS:** If your association is with CITIZENS insurance company, especially if it is over 30 years old, we need to separately discuss your budget figures.

- **Claims:** If your association has had any large property claims (fires, water damage, sinkholes, etc...) this can cause upward pressure on rates. Sinkholes specifically can cause significant rate increases. This also applies to the general liability policy & D&O policy although those premium increases aren't as significant as the property premium increases.
- **Hurricanes:** The historically three busiest hurricane months are still ahead of us (August, September, October). If a category 3 or higher storm makes landfall in the US, especially the Gulf Coast, this could have a negative impact on property insurance rates in 2017. The larger the storm and the higher populated area it hits the worst the impact would be.
- **Large Global Disasters:** As we witnessed with the 2011 Tsunami in Japan this event was so catastrophic to a highly insured area (Japan) that the total insured losses for the event were so large that they had wide spread impacts on global insurance rates. Another event like this, large earthquakes, tsunamis, floods, etc... can negatively impact our rates here at home.
- **Governmental Interaction:** As we have experienced for years with CITIZENS, the Government can pass laws, change rules or impose assessments, fees and taxes that that have impacts on the property premiums we pay.

Thank you all very much for everything. Anything else we can do to help please do not hesitate to let us know...

Phillip Masi, CIRMS
Senior Vice President



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From: Phillip Masi [<mailto:PMasi@bborlando.com>]

Sent: Monday, July 13, 2015 11:42 AM

Cc: Rebekah Rubino; Jennica Mandarano; Monica Mann; Dawn Singleton

Subject: Budget Email - Phil Masi's Manager's - Insurance Budget Outlook - 2016

Importance: High

To All My Managers: I hope everyone is doing well. It is that time of year again for my annual 2016 insurance budget outlook email. Check out points below and please call or email me with any questions on your individual associations... (make sure you read entire email to get full picture of outlook)

- **Condominium Association & HOA's that Purchase Master Property Programs - Insurance Budget Outlook 2016:** All good news on the horizon! As you may have noticed, in 2015 most of the insurance renewal premiums for our condos & townhomes have remained stable or decreased this year. The primary reason is that Florida is in the midst of an historic 10 year hurricane drought. As a result, rates for wind insurance (which is the main cost driver in the property rate) have been decreasing over the last 18 months or so. I do not see anything in the foreseeable future that is expected to change this trend. We expect at some point for the decreases to slow but nothing would indicate any increases coming. With that said, I still believe it is prudent to budget a modest 1% to 3% inflationary increase to the annual insurance premium budget. Most associations will likely see a decrease however building in a little padding is advisable considering how quickly things can change in this market. *NOTE: There are several factors that could be in place at your association that would negatively impact this outlook. Make sure you review the 4th bullet down.*

- **Improved Coverage & Deductible Options in 2015 & 2016:** With the decreased rates and increased carrier competition we have also been able to negotiate improved coverages & deductibles for our associations while still keeping premium within budget. Some examples include lower hurricane % deductibles, increased ordinance or law coverage, sewer back up sub limits, spike clauses, wind driven rain sub limits, etc... our goal each year is to not only make sure the premium is as competitive as possible but to see what improved terms & conditions we can negotiate. This market is providing us with increased opportunities to do this.

- **Home Owners Association Insurance Outlook 2016:** Any manager doing a budget for an HOA that does NOT purchase a master property insurance program like a condo I would suggest budgeting a 5% overall increase and not to expect a decrease in 2015. The reason for this is that the property insurance premium is typically 85% + of the overall condo association insurance premium so where the property premium goes so does the condo budget. An HOA typically has a much lower % of property premium and the trend in the general liability, D&O and umbrella insurance markets not decreasing. They aren't increasing dramatically but enough that most HOA's will likely see a flat to 5% increase in 2015.

- **Items that Can Negatively Impact Insurance Premiums (IMPORTANT):** There are several factors that can negatively impact insurance premiums that are NOT accounted for above. I encourage everyone to review the bulleted list below to see if any apply to your Property. If they do feel free to discuss with me directly prior to formalizing the budget:
 - **Appraisal Updates:** If you haven't had an appraisal conducted in the past 36 months, then per the 718 statute, your Condominium Association would be due for an update. We've

been seeing a rise in Replacement Cost Values in recent appraisals (increase in labor costs, materials, etc...). Since property insurance premiums are based in part on Values, when the values increase, the premiums will as well. For example, if the association hasn't had an appraisal update in 3 years and the replacement values increase by 10% and the rate falls by 5% you are still looking at an approximate 5% increase at renewal.

- **Flood Insurance:** If your association has a large percentage of it's overall insurance premiums in flood insurance you can expect the flood premiums to continue to increase in 2015 We are projecting a 10%-20% increase and this will of course impact the overall premium even if the property insurance stays flat.
- **Developer Control:** If your COA or HOA is still in the course of development it is vital that when you complete your budget for 2016 that you have a schedule of what buildings or homes are expected to be built and in place by the 2016 insurance renewal. When we add buildings or homes this adds increased exposures to the insurance program which will cause premiums to increase on the property, general liability, D&O and umbrella insurance programs.
- **Roof Covering Age:** If the building roof coverings are over 15 years old, this could contribute to increased property rates. Especially for communities with original roofs from the 80's or 90's.

I. **Roof Replacements:** If your Association's roofs have been replaced since the last renewal, please notify your Brown & Brown team so that we may update our files accordingly. This is vital to insuring we are getting the association the best rate possible.

- **Aluminum Wiring:** If your association was built prior to the mid 1970's, and you have unprotected aluminum wiring in your buildings, this condition severely restricts the insurance carriers that will offer quotes on your account which causes pressure on the predictions above.
- **Construction Defects:** Similar to the aluminum wiring, when an association has unrepaired defects, depending on the type of defects, this can significantly reduce the pool of carriers that will offer quotes causing pressure on the predictions above.

I. **Defect Repairs:** If your association has completed the construction defect work since your 2015 insurance renewal please alert us as this can have a POSITIVE impact on the renewal premiums.

- **Restoration Projects:** If your association is scheduled to do major exterior repair work for construction defects you should discuss with us before budgeting. This needs to be properly disclosed to the insurance carrier and can cause pressure on predictions above. Remember that when construction work is done and defects are repaired rates will return to where they should be.
- **CITIZENS:** If your association is with CITIZENS insurance company, especially if it is over 30 years old, we need to separately discuss your budget figures.

- **Claims:** If your association has had any large property claims (fires, water damage, etc...) this can cause upward pressure on rates. Sinkholes specifically can cause significant rate increases. This also applies to the general liability policy & D&O policy although those premium increases aren't as significant as the property premium increases.
- **Hurricanes:** The historically three busiest hurricane months are still ahead of us (August, September, October). If a category 3 or higher storm makes landfall in the US, especially the Gulf Coast, this could have a negative impact on property insurance rates in 2016. The larger the storm and the higher populated area it hits the worst the impact would be.
- **Large Global Disasters:** As we witnessed with the 2011 Tsunami in Japan this event was so catastrophic to a highly insured area (Japan) that the total insured losses for the event were so large that they had wide spread impacts on global insurance rates. Another event like this, large earthquakes, tsunamis, floods, etc... can negatively impact our rates here at home.
- **Governmental Interaction:** As we have experienced for years with CITIZENS, the Government can pass laws, change rules or impose assessments, fees and taxes that that have impacts on the property premiums we pay.

As always all my prior year budget emails are included below. Please feel free to review them if you like. Thank you all again for your business and trust.

Please excuse if you get this email multiple times

Best Personal Regards

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From: Phillip Masi

Sent: Thursday, July 24, 2014 3:05 PM

Cc: Rebekah Rubino; Jennifer South; Penny Mollo; Maureen Fiorenza; Jennica Mandarano; Nikia Hollingsworth; Tara Hylands; Cindy Elzer; Ashley Dyrhoff

Subject: Budget Email - Phil Masi's Manager's - Insurance Budget Outlook - 2015

Importance: High

To All My Managers: Incredibly budget season is upon us again. As I do each year please review my 2015 insurance market outlook below. The purpose of this email is to help each of you properly budget your 2015 insurance premiums...

- **2015 Budget Outlook for Condos:** No bad news here, insurance premiums in 2014 were pretty much flat for most condominium associations. Most associations saw a slight decrease to flat renewals in 2014, a small percentage had a small increase but nothing unexpected and on average well below the 5% to 10% increase that I recommended budgeting for 2014. We expect this trend to continue into 2015's market. We believe property insurance rates will continue to soften leading to most renewals again coming in slightly down to flat vs. expiring numbers. With that said a lot of things can happen that are outside all of our control between now and your 2015 renewal date that can significantly alter this prediction. It is my recommendation that all of my condo associations budget for a Flat to 5% overall insurance premium increase to be safe. Even though we expect renewals to be flat to down it is prudent to be conservative and to budget up to a 5% increase for 2015. Again please call me if you wish to discuss your association specifically. Please continue reading below for items that can cause this prediction to change...
- **Items that Can Negatively Impact Insurance Premiums:** Each association is different so please see items below, inside & outside of the association that can cause the predictions above to change. If your association has any of the below items please feel free to contact me to discuss budget numbers directly.
 - **Appraisal Updates:** If your association has received an updated insurable value appraisal since your 2014 renewal and the replacement cost values have increased; any increase in values will directly correlate with an increase in insurance premiums. If you have had an updated appraisal get with me and we can review to come up with what impact it will have on the 2015 renewal premiums.
 - **Roof Covering Age:** If the roof coverings at your association were last replaced prior to 2000 (15 or so years old) this will cause the property wind rate in the carrier wind models to increase. This is especially an issue for our accounts that have original concrete barrel tile roofs from the 80s (25+ years old).
 1. **Roof Replacements:** If your association has had all the roof coverings replaced since your 2014 insurance renewal please alert us as this can have a POSITIVE impact on the renewal premiums.
 - **Aluminum Wiring:** If your association was built prior to the mid 1970's and you have unprotected aluminium wiring in your buildings this condition severely restricts the insurance carriers that will offer quotes on your account which causes pressure on the predictions above.

- **Construction Defects:** Similar to the aluminum wiring, when an association has unrepaired defects, depending on the type of defects, this can significantly reduce the pool of carriers that will offer quotes causing pressure on the predictions above.

1. **Defect Repairs:** If your association has completed the construction defect work since your 2014 insurance renewal please alert us as this can have a POSITIVE impact on the renewal premiums.

- **Restoration Projects:** If your association is going to do major exterior repair work for construction defects you should discuss with us before budgeting. This needs to be properly disclosed to the insurance carrier and can cause pressure on predictions above. Remember that when construction work is done and defects are repaired rates will return to where they should be.
- **CITIZENS:** If your association is with CITIZENS insurance company, especially if it is over 30 years old, we need to separately discuss your budget figures.
- **Flood Insurance:** If your association has a large percentage of it's overall insurance premiums in flood insurance you can expect the flood premiums to continue to increase in 2015 We are projecting a 10%-20% increase and this will of course impact the overall premium even if the property insurance stays flat.
- **Claims:** If your association has had any large property claims (fires, water damage, etc...) this can cause upward pressure on rates. Sinkholes specifically can cause significant rate increases. This also applies to the general liability policy & D&O policy although those premium increases aren't as significant as the property premium increases.
- **Hurricanes:** The historically three busiest hurricane months are still ahead of us (August, September, October). If a category 3 or higher storm makes landfall in the US, especially the Gulf Coast, this could have a negative impact on property insurance rates in 2015. The larger the storm and the higher populated area it hits the worst the impact would be.
- **Large Global Disasters:** As we witnessed with the 2011 Japanese Tsunami this event was so catastrophic to a highly insured area (Japan) that the total insured losses for the event were so large that they had wide spread impacts on global insurance rates. Another event like this, large earthquakes, tsunamis, floods, etc... can negatively impact our rates here at home.
- **Governmental Interaction:** As we have experienced for years with CITIZENS, the Government can pass laws, change rules or impose assessments, fees and taxes that that have impacts on the property premiums we pay. Looking forward we expect the Florida CAT Fund Emergency assessment to be removed starting on January 1st 2015 which is great news.

- **Home Owners Association Insurance Outlook:** Any manager doing a budget for an HOA that does NOT purchase a master property insurance program like a condo I would suggest budgeting a

5% overall increase and not to expect a decrease in 2015. The reason for this is that the property insurance premium is typically 85% + of the overall condo association insurance premium so where the property premium goes so does the condo budget. An HOA typically has a much lower % of property premium and the trend in the general liability, D&O and umbrella insurance markets is going up. They aren't increasing dramatically but enough that most HOA's will likely see a flat to 5% increase in 2015.

Any questions on any of the above information please let me know. If you are not asleep yet and wish to keep reading my emails feel free to review the two budget emails below from 2012 for 2013's budget and 2013 for 2014's budget. Thank you all for your business.

Please excuse if you get this email multiple times

Best Personal Regards

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From: Phillip Masi

Sent: Friday, August 23, 2013 1:00 PM

Cc: Rebekah Rubino; Penny Mollo; Tara Hylands; Jennica Mandarano

Subject: Budget Email - Phil Masi's Manager's - Insurance Budget 2014 & Coinsurance FHA Issues

Importance: High

To All My Managers:

Good ole budget season is upon us once more. As most of you know each year I provide all my managers an insurance budget outlook email to help you compute a figure to use for your 2014 budgets. I have included this budget outlook below along with an update on the coinsurance drama that many of us are enduring due to the new FHA requirements. Please review below and let me know if there are any questions...

- **2014 Budget Outlook:** For the first time in 4 years the property insurance market appears to be flattening. A rush of investment money into the reinsurance markets has caused a drop in reinsurance rates which are predicted to cause property rate relief. Assuming we are storm free this season the expectation is that the property rates in Florida will stabilize and we may be looking at flatter renewals in 2014 as opposed to the 5%, 10%, 10% increases we have seen on average the last 3 years respectively. Despite the falling reinsurance rates we are still having major issues with carrier competition. There are virtually no new carriers entering the Florida property arena. We are still using the same small handful of carriers we have worked with for the last few years and in some cases our options are shrinking further with several of these carriers pulling back on what type of projects they will quote or how much limits they are willing to put out. This is especially true in Central Florida. Taking this all into consideration I am going to recommend to all my managers to budget between a 5% and 10% overall insurance premium increase for 2014. I am leaving the exact % to budget up to you based on your specific financial situation. If you have the money to easily budget for a 10% overall increase than I would encourage you to do that and assuming no storms hit we should certainly be under that figure. If you can get away with 7.5% than do that but I would NOT advise going lower than a 5% overall insurance budget increase. There are exceptions to these numbers. For instance if your association has ongoing construction defects, or 20+ year old roofs, or is currently insured with CITIZENS, or suffered significant claim activity (especially sinkhole related) or any other unusual circumstance please call or email me to discuss a personal figure. I am here anytime to provide a customized budget email for your specific association. Remember, this is just a best guess estimate. A lot can change in the next few months.
- **Coinsurance FHA “Federal Housing Administration” Issue:** This will be a major point of emphasis for the 2014 renewals. For communities trying to get approved for FHA or for new loans being processed we are running into problems where the lenders are requiring an Agreed Value Endorsement be added to the insurance program in place of the coinsurance %. Approximately 2/3 of my condo associations have some form of coinsurance which typically is set at 90% or 100%. This is NOT a coverage problem for the associations because almost all of my condo associations insure their buildings 100% to a 3rd party replacement cost appraisal per the 718 condo statute. The problem is the FHA guidelines are written for the entire Country and does not take Florida’s statute into account so they are asking for the Agreed Value endorsement regardless of whether we have documentation that can prove we are insured to 100% of the appraised amount or not. This causes a situation where some associations will have to pay more to remove the coinsurance and add the agreed value to comply with the FHA requirement even

though they are not picking up any significant additional coverage for the association. The costs for this can range between 5% and 15% in additional premium. It is an unfortunate and frustrating situation that is constantly changing. Typically only the newer communities (built within the last 15 or so years will run into this issue) or communities filing for FHA approval. If you are one of those communities feel free to call or email me privately to discuss your specific situation. We can work these numbers into the budget if desired.

- **September CAI Meeting on Vendor Risk Transfer:** I attached a flyer for our upcoming CAI monthly meeting. I will be doing a presentation on Vendor Risk Transfer. This is a HUGE topic that many associations are not doing correctly. The meeting will cover WHY an association must have proper risk transfer in place, WHAT coverages and limits an association should want their vendors to carry as well as WHAT risk transfer wording the association should require. For everyone that has had issues with vendors complaining about waivers of subrogation, additional insured wording or vendors claiming they are exempt from work comp this seminar will address those issues and more. Any association that has a major improvement project on tap should certainly pay close attention. This is an issue that impacts every association, no exceptions.

Please review the material above and let me know if you have any questions.

PS: Last year's budget email is below in case anyone wanted to review for comparison purposes.

Please excuse if you get this email multiple times, I had some trouble updating my manager contact list

Best Personal Regards

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From: Phillip Masi
Sent: Thursday, August 09, 2012 11:45 AM
Subject: Budget Email - Phil Masi's Manager's - Insurance Budget 2013
Importance: High

To All My Managers:

It is that time of the year again – BUDGETS!!! Every year I provide my customary Insurance Program outlook to help my managers with their insurance budget numbers for the coming year. This year I am recommending budgeting a flat 10% overall insurance premium increase for all my properties for their 2013 renewals.

To help you explain the reasoning to your boards... Some quick history... the property insurance rates fell considerably year after year since 2006 when they were at their highest point. This occurred until 2011 when the market started to firm up. For 2010's budget season I recommended budgeting for a 5% overall increase and most of my properties came in about flat (down 5% to up 5%) during the 2011 renewals. For 2011's budget season I recommended budgeting a 10% overall increase and in 2012 most of my properties to date have come in between 6% and 12% higher. Based on the trends I am seeing in the marketplace I believe it is prudent to again budget for an overall 10% increase as we did in 2012. There is nothing occurring in the insurance market today telling us rates will be decreasing in 2013 but how much of a rate increase to budget is the question. I believe most will end up around 5% on average in 2013 but considering the storm season is just getting underway 10% is the most prudent number considering the variables at play. With that said each property is different depending on the age, construction, updates, size, location, claims, etc... If you have questions about your specific association please call me and we can come up with a tailored budget figure for you to use.

The main market factors pushing the rates up are the following...

- **Bad Property Claims:** Globally 2011 was the 2nd worst catastrophic loss year on record with \$116 Billion in insured losses (2005 when Katrina hit was the worst w/ \$123 billion). Incidents like the Japanese Tsunami, Irene and various earthquakes & Tornados caused global reinsurers to lose money in 2011 pushing reinsurance renewal rates up in 2012. Exacerbating this issue has been the historically low investment returns traditionally safe investments like bonds, CD's, Money Markets, etc... This reinsurance rate increase will likely continue through January 2013's reinsurance renewal.
- **Bad D&O Claims:** Even though D&O is a small percentage of the association's overall insurance premium the D&O claims that have been filed over the last 12 months for Community Associations are staggeringly high. This is causing rates to increase substantially on this coverage and for any community with a significant D&O claim this increase would be multiplied. This will have more of an impact on HOA's in which D&O is a larger % of the overall premium than on condos.
- **RMS 11 Wind Modeling Changes:** Many of you have heard me talking about this throughout the year. The model that the property carriers use to model properties for potential wind risk has increased the Probable Maximum Loss figures for Inland Golf Coast Counties causing rates to rise in those areas. The worst hit Counties in Florida were Orange, Seminole and Osceola. This will not have as much of an impact on coastal properties but had a big impact inland in 2012. Most of this rate will have been collected in 2011 but depending on the modeling tweaks we can still see effects from this well into 2013.

- **Governmental Interaction:** The CITIZENS drama here in the State of Florida is having a negative impact on rates. CITIZENS has again approved 10% plus increases across the State. Any accounts with CITIZENS will feel these increases directly but carriers that compete with CITIZENS are following suit and are increasing their rates as well. Communities with individual buildings valued at over \$10M can be subject to an even greater increase upwards of 20%. This impact will be felt more on the coasts and in South Florida where CITIZENS is more heavily used.
- **Flood Insurance:** ANY properties that have a flood policy in place through the National Flood program will almost certainly see a 10% flood premium increase in 2013 and that may go as high as 20%. The reason for this is the Federal Government is no longer allowing Florida insurance agents to rebate 10% of the flood premium after October 1st 2012. The 2nd reason is after the Flood program overall that passed the other month, 10% to 30% increases are occurring around the Country for properties in existing flood hazard zones.

As always things can change drastically altering my 10% recommendation up or down that are outside of all of our control. Please reach out to me with questions on your individual communities. I am always here if you need me. Thanks.

Best Personal Regards

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Vice President

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You cannot bind, alter or cancel coverage without speaking to a licensed agent. Coverage cannot be assumed to be bound without confirmation from a licensed agent.