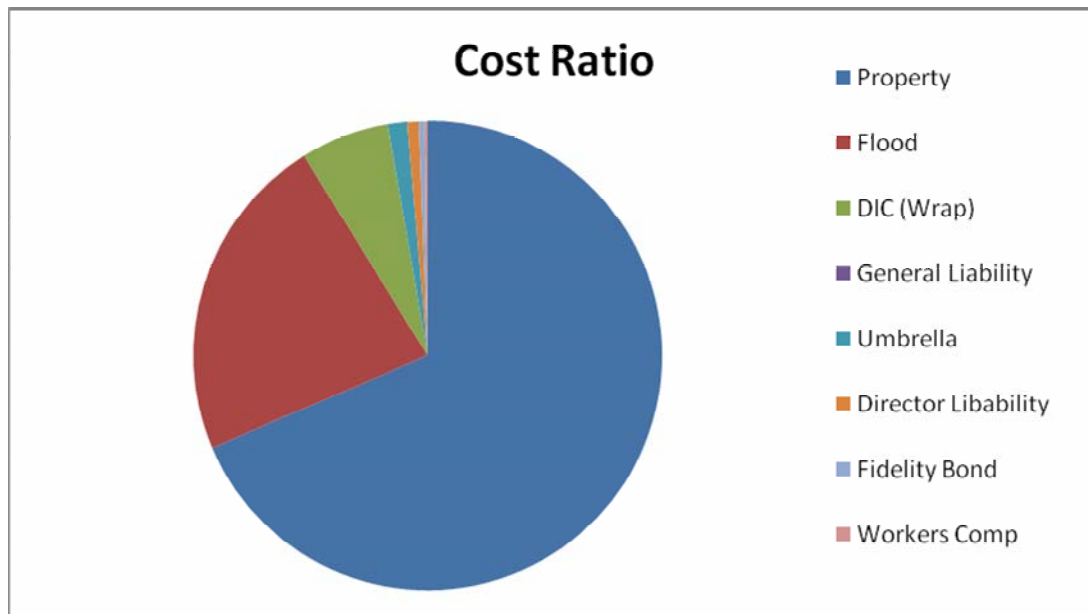


HANSON'S LANDING ASSOCIATION, INC. – A CONDOMINIUM

PRELIMINARY REPORT OF THE INSURANCE SUB-COMMITTEE

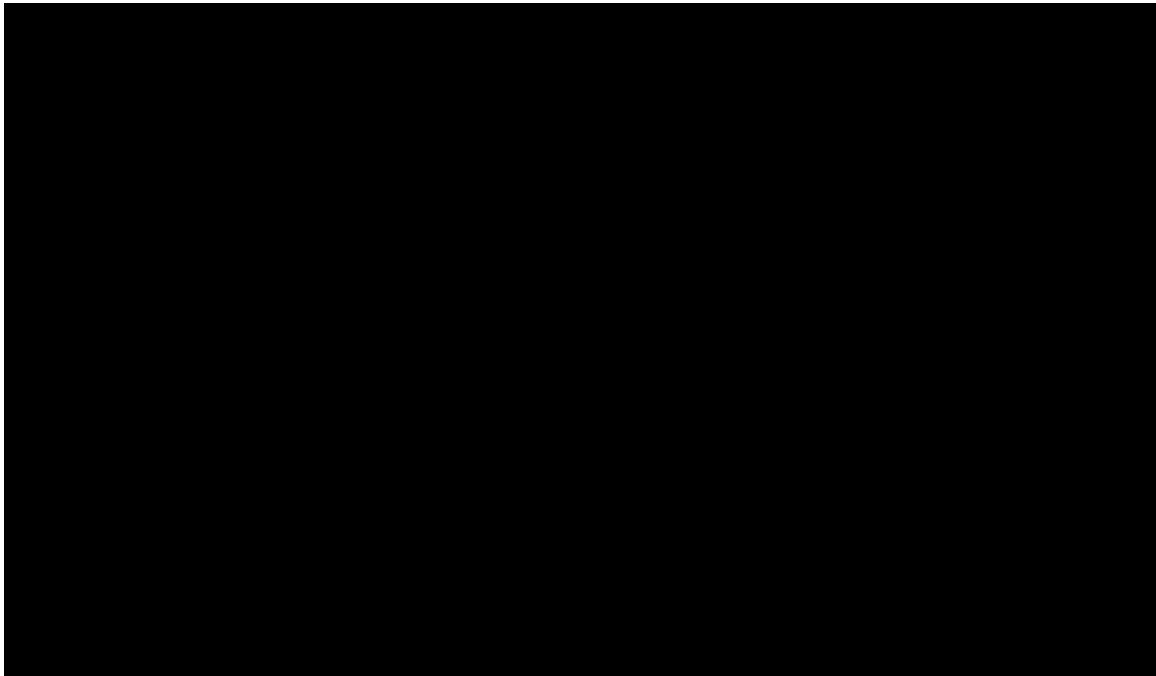
Summary of current insurance coverage indicating costs as a percentage to total budget. Also included is identification of coverage required by Florida Statute, our own documents, and board discretion. It is important to note that Florida Statute requires that the Board of Directors have a professional appraisal performed at least once every three years for the purpose of identifying current replacement costs of all property to be insured under the statute. Our association is currently under contract with G.A.B. Robbins to provide that service on an annual basis (with actual grounds/building inspection during the first year only) at a cost of \$1,900.00 for a four year contract.

| <i>Insurance Type</i> | <i>Required by</i> | <i>Underwriter</i> | <i>Coverage</i> | <i>2008/09 Cost</i> |
|-----------------------|---------------------|--------------------|---------------------|---------------------|
| Property (wind) | Docs/Law | Citizens | By Bldg/Tot \$22.3M | \$182,834 |
| Flood | Docs/Owner Policies | Selective Ins. | By Bldg/Tot \$28.4M | 60,436 |
| Wrap (DIC) | Docs/Law | Great American | \$23,435,100 | 16,244 |
| Gen. Liability | Docs | Philadelphia | \$2,000,000 | 7,366 |
| Umbrella | Board | Zurich | \$15,000,000 | 3,548 |
| D & O Liability | Law | Travellers | \$2,000,000 | 2,113 |
| Fidelity Bond | Law | Old Republic | \$850,00 Blanket | 1,071 |
| Workers Comp | Docs | Westport | \$500,000 ea. Empl. | 562 |
| Total Cost | | | | \$274,174 |



Insurance cost as Percentage to Budget:

| <i>Budget Expense</i> | <i>2009 Cost</i> | <i>% Total</i> |
|---------------------------------------|------------------|----------------|
| Insurance | \$274,184 | 32.7 |
| Other Administrative Expense | 59,477 | 7.1 |
| Utilities | 90,505 | 10.8 |
| Building and Equipment | 96,032 | 11.5 |
| Grounds Maintenance | 115,390 | 13.8 |
| Pool & Recreation | 5,900 | .7 |
| Contract Services (Trash/Ant/Termite) | 36,295 | 4.3 |
| Miscellaneous/Contingency | 48,000 | 5.7 |
| Reserves | 111,600 | 13.3 |
| Total Budget | \$837,383 | |



Next we will review what the Florida Statute and the Hanson’s Landing Documents have to say about Insurance coverage.

Section 718.112 of the Florida Condominium Statute – Section (11) spells out the state law with respect to Board of Directors purchasing and administrating insurance coverage for the Association. It is almost 5 pages long. For those owners who have computers with access to our new website, the link is there to read this section in its entirety. This report will just recapture the main points:

1. Must provide “adequate hazard insurance”...based upon replacement cost of the property to be insured as determined by an independent insurance appraisal (or update) once every 36 months that shall determine the full insurable value.
2. Specifies policy and procedure on determining deductibles. Also, it defines policy content and coverage with respect to restoration of damaged property – as it relates to both Association and owner responsibility respectively.
3. Mandates that the Association require owners to provide evidence once a year that they have policies covering their unit(s) against hazard and liability losses – permitting the Association to purchase and bill back those owners not providing proof of same. It also states that the Association must be an additional named insured and loss payee on those policies – and that policy must also include special assessment coverage in the amount of \$2,000. Per occurrence. (Some of these provisions are expected to be changed this year by the state legislature – except that owner coverage will still be required.
4. Board must provide a fidelity bond for all board members/persons who control or disburse funds of the Association in an amount equal to the amount of funds for which they hold responsibility.

Hanson’s Landing Documents:

Section 11 – Insurance: Defines policy and procedure with respect to purchasing and administering coverage, as well as reconstruction.

1. Provides that “all buildings and improvements upon the land will be insured in an amount equal to the maximum replacement value, excluding foundation and excavation costs – and all personal property in the common elements will be insured for its value as determined by the BOD.
2. Coverage must include casualty losses owing to damage by fire, other hazards and risks – to include but not limited to vandalism and malicious mischief. Other policies must insure against public liability (including hired auto and non-owned auto coverage), worker’s compensation and any other coverage deemed necessary by the Board of Directors.

Brief historical reminder:

Following the two hurricanes that hit Stuart in 2004 (Frances and Jean) – where Hanson's Landing incurred damages and clean-up costs of close to \$300,000 – and endured further uninsured loss in the destruction of the carports – our underwriter of Poe (a division of Southern) paid us after deductibles (per building) - \$18,000. The company subsequently was ordered out of business for having insufficient assets to continue as an insurer by the State of Florida. The only insurance available in to us in that next year was Citizens (the state insurer). Through this period our total insurance premiums rose from approximately \$140,000.00 to almost \$400,000 – now reduced to just below \$300,000.

Presently:

We have learned that the market is loosening up just a bit and there are now other national companies that are beginning to underwrite property damage policies here in Florida. Additionally, several owners felt that our agent, R.V. Johnson, was not proactive in administering our account – especially in light of the size of the premiums and subsequently commissions earned from our business. Very fortunately, one of our owners, Scott Drew, - himself a commercial insurance agent who does business in the Minnesota area – stepped forward to help the committee in trying to get a handle on this large annual financial obligation – and then hopefully succeed in seeking better coverage at the lowest possible cost – with highly reputable underwriters. Scott performed a detailed review of our policies and it is available upon request. Now armed with this information, and our own professional, we had a very productive session with Rudy Johnson (owner) and Cindy Bartels (Agent) at their agency. In other words, being able to talk the talk – changed the conversation.

Scott was impressed with the fact that R.V. Johnson had put Hanson's Landing's insurance out to bid with two other companies last year – but was unsuccessful in marketing us for coverage owing to the current age of the roofs. Based on our interview, the committee agreed to give R.V. Johnson one more opportunity to market our Association professionally for the coverage we need.

It is important to understand that Citizens does not provide more than a basic policy for condo communities – therefore, we must purchase a wrap (called DIC policy) to cover us for those perils not included in that basic policy. We were not happy with the amount of perils covered in that policy – and are seeking to have improved coverage either in a policy with broader base coverage or a DIC policy that covers more perils for such a high cost. If you combine the DIC with the Property (Wind) policy – the combined cost is now \$199,000.00 or close to 73% of the total cost of insurance.

The remaining insurance policies covering the Association are all from good underwriting companies and are properly priced. As you can see from the charts, they also represent (except for Flood) a small percentage of the total cost of insurance.

One of the greatest concerns in being insured by Citizens is the Florida provision that should Citizens incur a deficit following a hurricane – anywhere in the state by the way – each policyholder could be assessed from 15 up to 45% of the current policy premium. Our Citizens premium is \$182,834.00 which means we could be assessed up to \$82,300.00 – or \$442.00 per unit. We need to try to get covered by a different underwriter and the process is in progress.

In conclusion – what have we accomplished to date:

1. We met several times as a committee and established our goals regarding Hanson's Landing Insurance Package.
2. We announced to R. V. Johnson that we were considering marketing our Insurance package to another agency, which elicited action #3
3. We met with Rudy Johnson and Cindy Bartels to review our package and goals, discuss expectations about the marketing of our account, and expressed the necessity to have possession of our loss runs and Accord applications in the event we should later choose to change agencies.
4. We have now secured copies of all our policies, loss runs, and Accord applications and now have them here on the premises. and have them here on the premises.
5. Through Scott Drew we have consulted with other agencies to check on the reputation of R.V. Johnson within the industry and cross check possible candidates to write the insurance.
6. Rudy Johnson has accepted the challenge we offered the agency- representatives of the agency have been here photographing the buildings and grounds.
7. We are attempting to change the policy anniversary date by either short or long writing the property policy so it doesn't renew in the middle of hurricane season.
8. We have checked in copies owner policy certificates and alarming find only half of our owners are either not insured or did not respond to that request last fall made by the immediate past president. The law permits condo associations to have the policies written and assess back those owners who are not insured. We learned that almost no associations have done that – but the problem remains: Uninsured owners are in violation of Florida Statute....and should a disaster occur – would be wholly financially responsible their cost of rebuilding their units. Additionally, they put the Association and all owners at greater financial risk for not covering their units and personal liability. Please note – policies reviewed range from \$2,000 to \$100,000.00 in property damage coverage (floors, cabinets, ceilings, electrical, paint, wall coverings, blinds, appliances etc.). We roughly estimated that rebuilding the owners share would cost a minimum of \$50 grand....and that would be a no frills, basic inside rebuild.

Submitted by: Barbara E. Kidd, Chairman

