

CONDOMINIUM PROPERTY AND FLOOD INSURANCE REQUIREMENTS

By Robert N. Townsend

Property Insurance - The requirement for property insurance (AKA hazard insurance) is described in the Condominium Act of Florida, Chapter 718. In 2004 this statute changed and now all property insurance for condominium associations is mandated as follows: *"Shall exclude all floor, wall and ceiling coverings, electrical fixtures, appliances, air conditioner or heating equipment, water heaters, water filters, built-in cabinets and countertops, and window treatments, including curtains, drapes, blinds, hardware, and similar window treatment components, or replacements of any of the foregoing which are located within the boundaries of a unit and serve only one unit and all air conditioning compressors that service only an individual unit, whether or not located within the unit boundaries."* These items, excluded from the condominium association's property insurance, are the responsibility of the unit owner to insure.

Flood Insurance - Unlike property (hazard) insurance, which is in accordance with Florida Statutes, flood insurance coverage is defined by the National Flood Insurance Program as described in the code for the Federal Emergency Management Agency (FEMA). The coverage described by FEMA is based on replacement cost value (RCV) of the complete building with no exclusions, and therefore, include the unit interiors. This coverage includes the unit interiors as they were originally built, and does not cover upgrades which were added by the owner. (The unit owner is responsible for flood insurance coverage for upgrades and the personal property in the unit.) Flood insurance, underwritten by the U.S. Government, is available for the total building up to a maximum of \$250,000 per unit. It follows that a four unit building could be covered for a maximum \$1,000,000. Additional flood coverage for the total building can be obtained on the open market from the excess and surplus lines market, which may use the depreciated value referred to as actual cash value (ACV).

Considering the above procedures, the appraised value normally determined for hazard insurance coverage is expected to be less than the value for flood coverage. It is not unusual for the property (hazard) appraised value to be 30% less than the flood coverage value.

Because of the complexity of the appraisal process for determining hazard and flood value for condominiums, it is strongly recommended that condominium associations seek out an appraisal firm that has State Certified or Licensed appraisers on their staff. As stated in a published article by Stanley W. Plappert, President of Collier Insurance Services, Inc., *"The Florida Condominium Law (Statute 718) holds directors responsible for maintaining adequate property insurance for the common property including buildings of the association. The only way a director can safely meet this obligation is to obtain an appraisal on regular basis by a certified appraiser".**

Townsend Appraisals, Inc. dba Townsend-Logan Appraisals located in Naples, Florida and is the only company in Southwest Florida that specializes in insurance appraisals for condominiums. Their appraisers are all certified by the Florida Department of Business and Professional Regulations (DBPR) and the Florida Appraisal Board. Their clients are condominium associations or building owners who need accurate appraisals to establish the required coverage for both flood and property insurance. They have clients in all areas of southwest Florida between Tampa and Marco Island.

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