Florida Condominium Insurance.

The requirements of both condominium associations and their owners.

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In 2008, the Florida Legislature amended the existing Florida law requiring condominium unit owners to purchase insurance coverage for the interior of their condominium(s). One of the 2008 amendments required each new insurance policy to have $2,000.00 in “special assessment coverage” per occurrence. Other 2008 amendments required new insurance policies to name the condominium association as an additional insured and as a loss payee. For owners that failed to comply, the 2008 amendments gave condominium associations the power to purchase, and specially assess the owner the cost of, the required insurance. (A/K/A “force place”).

Immediately after the 2008 amendments passed, condominium associations and owners were rightfully confused. Someone in Tallahassee forgot to inform insurers of their new mandates. Many insurers refused to add condominium associations as additional insureds or as a loss payee because doing so required a change to their standard insurance policies. Apparently, the 2008 amendments were of such a degree that an insurance policy rider alone would not suffice to bring the standard boilerplate insurance policies into compliance.

Confusing matters further, the 2008 amendments do not use or apply proper insurance terminology. For example, the terms “special assessment coverage” were used when “loss assessment coverage” was the proper terminology. As condominium owners are aware, “special assessments” are used by condominium associations for anything from an owner’s failure to maintain a property to the replacement of a roof. Based on the 2008 statutory amendments, for each such instance of a special assessment, insurance companies have to pay at least two thousand dollars. The result of this mistaken coverage expansion is higher insurance premiums.

Not one to leave any stone unturned, the 2008 statutory amendments further mandated owners carry insurance on, and to repair if damaged by casualty, all improvements that ”benefit fewer than all unit owners”. The legislature forgot to include a definition of the term “improvements” in this new context. As a result, unit owners are paying for insurance coverage to balconies, parking spaces, garages and any other such "limited common elements”. Many of these same items are typically covered by a condominium association’s master insurance policy.

To fix the above problems and some others caused by the 2008 statutory amendments, in 2009 the Florida Legislature introduced an "Insurance Glitch Bill". Unfortunately, the Insurance Glitch Bill was attached to a controversial bill regarding exempting certain condominium buildings from fire-sprinkler requirements. When the Insurance Glitch Bill and the fire-sprinkler bill were mixed, the citizens of Florida were hosed and the Governor refused to sign the bill.

Without the Glitch Bill clarifying the obligations of condominium insurance, many condominium associations and their owners are still rightfully confused. **As the law is presently written, condominium associations must send a notice to each owner requesting, within thirty days, proof of unit insurance that complies with Florida law. This is where the association's obligation ends.** Nevertheless, the scope of the law continues to allow condominium to force place owners with non-compliant insurance.

Deciding whether to purchase insurance on behalf owners that failed to do so on their own is an option, not a requirement. In today's economic times, using association funds to purchase insurance covering the interior of a non-complying owner's unit is not an attractive option for many condominium associations. Many condominium associations are concerned about specially assessing owners the cost of insuring the interior of their own unit that may result in yet another lien wiped out by a bank foreclosure. Nevertheless, a reasoned decision in consultation with the association's attorney is the best way to determine whether to force place owners with insurance.

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