

Dear Valued FBA Member,

You should have received two FBA Email Alerts from me dated January 29th and February 21st warning of our concerns with the use of condominium insurance pools by condominium associations.

**The FBA has concerns with the use of Condominium Insurance Pools because:**

- The current existing program has been not regulated or approved by Florida's Office of Insurance Regulation (OIR) at this time;
- They are not be consistent with the secondary market guidelines (**Fannie Mae and Freddie Mac do not accept pooled insurance policies and have told the FBA that they will not accept condominium insurance pool policies**);
- They may not be consistent approved actuarial principles; and,
- They may leave substantial portions of the Condo's common elements either underinsured or uninsured if a catastrophic event were to occur.

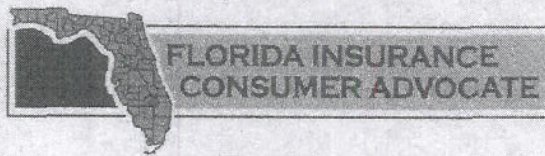
Many of your current mortgagors may already subscribe to these policies. The original Certificates of Insurance (COI) for Condominium Insurance Pools, which were issued by the company offering this product, did not sufficiently describe any shortfall in coverage or other deficiencies in these arrangements versus traditional insurance purchases. In particular, the COI did not reflect the application or existence of a "shared limit" with other insured entities and did not indicate that the policies were being underwritten by surplus lines carriers who are not regulated by OIR and are not backed by the Florida Insurance Guaranty Program or the Florida Hurricane Catastrophe Fund. The Department of Financial Services has required the company to reissue COIs to their customers that discloses this information. The company offering this product has not taken the responsibility to notify the lenders that their product may be insufficient.

The current and only known company offering the program in Florida is Willis North America, The Willis program is also being marketing by a condominium association management company named Resource Property Management, who receives a fee for marketing the program. As of April, the \$100 Million shared limit policy being offered by Willis was covering an estimated \$818 Million in property that is centralized in Pinellas County. That could leave \$717 Million or more worth of property uncovered. The program may be in other counties as well.

During this year's session, the Legislature did pass HB 601, which required OIR to regulate the condominium insurance pools. The Governor has yet to sign the bill and Willis North America and Resource Property Management are still marketing the program heavily. The FBA does not believe that OIR will approve such products once they gain authority to do so.

As always, it is recommended that any non-traditional risk transfer approaches, particularly those applied to Condo Associations, be thoroughly scrutinized. If you have any questions whether the insurance product presented to you by a condominium association is regulated and approved by OIR, please call the Office of Insurance Regulation at (850) 413-3140.

Thank you,  
Scott  
C. Scott Jenkins  
Senior Vice President/Deputy Director of Government Affairs  
Florida Bankers Association  
1001 Thomasville Rd., Suite 201  
Tallahassee, FL 32303  
p-850.224.2265  
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**May 29, 2008**

**To : Member Associations, Willis Protection Program**  
**From : The Office of Insurance Consumer Advocate and  
The Department of Financial Services**

Your condominium association is currently a member of the Willis Association Protection Program (WAPP) which includes property insurance coverage in the event of a hurricane.

When the legislature allowed condominium associations to join "group" insurance programs for property insurance protection last January, the Willis Association Protection Program (WAPP) was the first insurance agency to arrange for a group policy.

The Department of Financial Services and the Office of Insurance Consumer Advocate have reviewed many documents that were willingly and promptly provided by the Willis group.

In this information mailing, at the request of the Department of Financial Services, the WAPP is providing you with clarifying information about the new group insurance program. It is because this is a new program that the Department and the Consumer Advocate asked Willis to take the unusual step of providing the clarification information enclosed.

We urge you to review the information and to contact the WAPP if you have any questions. If the Department can be of assistance, please contact us using only this special contact information.

By phone at (850) 413-5697, or by e-mail at [ASKDFS@MYFLORIDACFO.COM](mailto:ASKDFS@MYFLORIDACFO.COM)

REPRESENTING  
**ALEX SINK**  
CHIEF FINANCIAL OFFICER,  
STATE OF FLORIDA



## CLARIFICATION NOTICE

It has been brought to our attention by the Department of Financial Services that certain representations made in our earlier presentations regarding the Willis Association Protection Program (WAPP) may have been inaccurate or unclear. In an effort to clarify any representations made and to ensure that you have made a fully informed decision as to your participation in the WAPP, please carefully read the below statements:

It was earlier represented that one of the insurers, Lexington, is a subsidiary of AIG and it was inferred that Lexington would benefit from the financial resources of AIG if necessary. AIG is under no legal obligation to provide financial assistance to Lexington should they not be financially able to pay their claims.

The Florida Statute creating pooled insurance products does not currently provide for or require approval for programs like the Willis Association Protection Program (WAPP). Therefore; neither the Department of Financial Services (DFS) or the Office of Insurance Regulation (OIR) nor any other State Agency has approved this program.

The insurance for this program is being provided by a group of surplus lines companies whose financial condition is not monitored by the state and whose insureds are not afforded the protection of the Florida Insurance Guaranty Fund should a surplus lines company become insolvent.

The WAPP program offered by Willis has a policy limit that is shared among all other member associations.

The Department of Financial Services has requested that Willis make it very clear to all member associations that if the insurable damages exceed policy limits, each member association will bear the cost if the association's share of the policy limits is not enough to restore the insured property.

The policy limits of the Willis Association Protection Program are based on a computer hurricane model that predicts that the shared limit will only be exceeded when there is a catastrophic storm that might only happen once in every 250 years. The computer models can only estimate damage amounts - computer models do not indicate when such a storm might hit. For this reason, the Department has requested us to restate this understanding of the policy limits and the use of a hurricane model to establish the policy limits for associations with property insured under this program.

Although it is our plan to have an adjuster at the site of the loss within 48 hours of the occurrence, if there is a catastrophic event which could exceed the loss limits shared by the other properties, claims may not be paid until adjustments are finalized on all affected properties in order to calculate each properties pro rata share of the loss.

Willis of Florida  
3000 Bayport Drive  
Suite 300  
Tampa, FL 33607



May 21, 2008

## WINDSTORM INSURANCE COVERAGE FOR A GROUP OF NO FEWER THAN THREE COMMUNITIES

Please note: House Bill 601 amended wording to section 718.111(11)(a)(1) relative to condo associations.

It is the position of the Office of Insurance Regulation (Office) that such programs are subject to rate and form filings with the Office, regardless of whether the program is written with an admitted or non-admitted insurer.

The wording is as follows:

*No policy or program providing such coverage shall be issued or renewed after July 1, 2008, unless it has been reviewed and approved by the Office of Insurance Regulation. The review and approval shall include approval of the policy and related forms pursuant to ss. 627.410 and 627.411, approval of the rates pursuant to s. 627.062, a determination that the loss model approved by the Commission was accurately and appropriately applied to the insured structures to determine the 250-year probable maximum loss, and a determination that complete and accurate disclosure of all material provisions is provided to condominium unit owners prior to execution of the agreement by a condominium association.*

## INSURANCE COMMISSIONER APPROVES MORE POLICY REMOVALS FROM CITIZENS

Commissioner McCarty announced today that the Office of Insurance Regulation (Office) has approved the plans of six insurance companies to remove another 100,000 policies from Citizens Property Insurance Corp. in June.

Some of the companies already began taking out policies earlier this year, and others will begin with the June take-out. Florida law allows Citizens' policyholders to refuse the offer and stay in Citizens. All of the take-out companies have agreed to offer the same or better coverage than the policyholder had with Citizens, and at the same or lower price.

"Every company removing these policyholders into the private market has met Florida's rigorous licensing standards, and most of the newer companies were licensed with double or triple the statutorily required start-up capital of \$5 million," said Commissioner McCarty. "We monitor the removal process very carefully to ensure policyholder protection."

To date, the Office has approved plans to remove up to 500,000 policies in 2008 from the state-created insurance company and place them in the private market.

The six companies that have been approved to remove Citizens policies are:

- American Integrity Insurance Co. of Florida: up to 75,000 policies total; 42,000 removed to date.
- Argus Fire & Casualty Insurance Co.: up to 18,000 policies total; 12,360 removed to date.
- Avatar Property and Casualty Insurance Co.: up to 10,000 policies total in June.

ADMINISTRATIVE OFFICE  
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800.432.7712 U.S. TOLL FREE

March 12, 2008

Reply To:  
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Mr. Robert Reinhardt, CMCA, AMS  
Resource Property Management  
7300 Park Street  
Seminole, FL 33777

Re: The Willis Loss Limit Program

Dear Bob:

I have heard from a number of sources that they have been told that I endorse the Willis Loss Limit Program which you are offering to your Associations. For the record, this is not an accurate statement. I do not believe that the program, as presented to me, provides the 100% replacement coverage which is required for Condominiums. When I sat in the meeting with you all, I advised that I liked the idea of a group policy, but had concerns that the coverage would not meet the requirements of the Association Documents.

A number of months ago, following reports from several sources that I was being quoted as approving of the Program, I advised Dot Thomas that I would appreciate it if my name were not used in conjunction with this Program. At that time, she assured me that it had not been used, and would not be used in the future.

Unfortunately, it appears that is not the case. Therefore, I am formally requesting that neither you nor Willis, nor anyone else affiliated with the Program, use my name as an endorsement for the Program.

Thank you for your immediate attention to this matter.

Very truly yours,



Ellen Hirsch de Haan, J.D.  
For the Firm

FLORIDA OFFICES  
BOCA RATON  
FORT MYERS  
FORT WALTON BEACH  
HOLLYWOOD  
HOMESTEAD  
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U.S. & GLOBAL OFFICES  
BEIJING\*  
NEW YORK CITY  
PARIS\*  
PRAGUE  
TEL AVIV\*

\* by appointment only

## Mike Clarkson

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**From:** Schraff, Jamie [JSchraff@distinguished.com]  
**Sent:** Wednesday, March 26, 2008 7:22 PM  
**To:** mclarkson@insuranceagentfl.com  
**Cc:** DeCarlo, Susan  
**Subject:** Absolute BI/PD Exclusion

**Follow Up Flag:** Follow up  
**Flag Status:** Flagged

**Categories:** Red Category

*Willis Claims D&O policy  
will protect the Board  
AGAINST INADEQUATE LIMITS!*

Mike,

Susan DeCarlo mentioned that she had met with you yesterday, and that you'd like some clarification regarding our Great American D&O policy's assumptive response to a claim alleging "Failure to Procure Adequate Limits of Insurance" after a property damage claim.

While we do not have a specific exclusion (nor an inclusion) for this allegation, we do have an absolute bodily injury/property damage exclusion. (See excerpt below from our policy form.) By absolute exclusion, of course, I mean that any and all allegations that relate to, stem from, or in any way are associated with property damage or bodily injury will be excluded. This would likely include a claim filed against a board of directors by a unit owner because a storm destroyed his unit and the board had not purchased adequate limits to make the necessary repairs.

I would be happy to discuss this with you further if you would like. Please feel free to call me with any questions.

D. based upon, arising out of, relating to, directly or indirectly resulting from or in consequence of, or any way involving: (1) bodily injury, sickness, disease or death of any person, assault, or battery; or (2) damage to or destruction of any tangible property, including the loss of use thereof; or (3) mental anguish, emotional distress, invasion of privacy, wrongful entry, eviction, false arrest, false imprisonment, malicious prosecution, libel or slander; provided, however, that part (3) of this exclusion shall not apply to any Claim brought by or on behalf of any past, present or prospective Insured Person for an Employment Practices

Sincerely,

Jamie Schraff

Community Association Program Manager

The Distinguished Programs Group

Phone: 818-559-1524

Mail to: jschraff@distinguished.com

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