

Assessments required to cover skyrocketing insurance premiums

Ryan Poliakoff

Condo Q&A

Dear Poliakoffs,

Recently I received a notice from my condominium association that there is a \$500,000 shortfall in the budget related to our insurance premiums. Starting next month all unit owners will be charged a certain percentage to cover this shortfall. To me this seems not quite right, since we all have paid association dues monthly as expected—how can they now come back to us to charge us more than they were charging us to begin with? Am I wrong on this? It seems like a scam to me. *Signed, R.B.*

Dear R.B.,

Due to a number of market factors, including the Surfside tragedy (the collapse of Champlain Towers South), many insurers have left the Florida market, and the cost of insurance has gone up dramatically. Many of our clients have reported premium increases of hundreds of thousands of dollars. So, if your insurance renews in the summer, what you described is not at all surprising (I have heard multiple reports of similar increases). The association has a statutory obligation to carry insurance, and they have to pay for that premium increase somehow—the only solution is to raise your assessments. This can be accomplished in one of two ways. Either the board can amend the annual budget and collect increased assessments for the rest of the year (which is what it sounds like is happening in your case), or the board can pass a special assessment to collect sufficient funds to cover the shortfall.

You can certainly request to review insurance-related association records, including the cost of the prior policy and quotes and correspondence from the insurance company. This will allow you to confirm the validity of the increase. With that said, there is nothing in your question that is particularly surprising to me, and I have no reason to believe this assessment increase is a “scam.”

I will note that some condominium governing documents contain limitations on the board’s authority to increase the budget or pass special assessments without membership approval, so that’s worth considering. However, it’s unclear what would happen when one of these restrictions conflicts with the statutory obligation to carry insurance. Would an affected association be required to gut the rest of its budget to pay for the increased cost of insurance? Would they stop maintaining the landscaping, or fire the cleaning crew? The association has an obligation to maintain the property, too! Hopefully the membership will be supportive of the board and respect that the board has no option but to secure appropriate insurance, despite the staggering increase in cost.