

# LETTER FROM THE PRESIDENT

April 2023

## Summer House Owners:

The emergence of a beautiful spring contrasts with the increasing operating challenges facing Florida condominium communities. But here at Summer House, despite dramatically increased sales and rental prices, we still stand as one of the premier values in the area. Here's an outline of what is happening in our community.

## Market Update

Sales and rental inventory in Summer House remains limited, although the pace of price and rent increases has diminished. Days on Market are also increasing, an indicator of somewhat weaker demand. In an uncertain economic and political environment such as we are now experiencing, market pauses aren't unusual. As long as inventory remains slim, overall transaction volume and price changes will probably not be too sharp.

## Audit Update

Our 2022 Audit, required by statute, is complete. As always, our financials, accounting and operations are clean and accurate. Kudos are due to Shannon and the staff for a difficult and crucial set of daily tasks accomplished quietly and well. Having diligent, responsible and experienced staff is a luxury the Summer House membership should not take for granted. Many communities are not so fortunate.

## Field Update

->*Major Construction:* Building 14 construction has begun. The construction market in Florida has never, in modern memory, been so difficult to navigate. Nonetheless, the reconstruction work we have undertaken is not optional. We will continue at the pace our finances allow.

->*Maintenance:* Jose and Fito perform a dazzling array of duties and fulfill a staggering number of work orders. The work flow is posted on our website in the board's document package. Take a look. You'll be amazed at our staff's productivity.

## Reminders

->*Trash:* Trash left outside the door, even for a few minutes, invites vermin into our buildings. It's the #1 reason for fines. Bird feeders and food left for squirrels are also invitations for uninvited visitors to take up residence in your attic. It's quite unpleasant and it does happen. Also, bulk items left by the compactors *will* result in fines. Please just don't do these things.

->*Fire/Rescue Access:* Please do not obstruct the entrance to your front door with excessive furniture, plants or other objects. Think about the process of getting fire and rescue equipment into your condo - it's needed more often than you think. Having a clear pathway is a requirement of the State Fire Code. Many residents react to warning letters only temporarily. The board and managers hope that stricter enforcement with fines will not be necessary.

## **A Real and Present Danger for Summer House**

In previous Letters, I have discussed the dismal state of commercial insurance in Florida and it's potential to disrupt association finances. That potential is now real and wreaking havoc across Florida. Chaos reigns. Associations are being financially devastated by the loss of property/casualty insurance capacity, principally brought on by the withdrawal of reinsurance capital, in the Florida market. Non-renewals are common, which increases reliance on Citizens Insurance, the Florida insurer of last resort. At the same time, Citizens Insurance requirements for association coverages differ from private insurers and their underwriters lack the ability to process applications at the pace they are receiving them. To add to this perfect storm, statutorily mandated property reappraisal values are increasing rapidly, meaning that the amount of dollar coverage demand is rising while capacity is declining. Many of the associations that have been non-renewed are frame construction within one mile of the coast. Even the luckiest and best positioned associations are seeing 40%-70% renewal offer price increases with higher storm deductibles and increased exclusions. Bottom line: there is insurance renewal risk *and insurance renewal price risk* in May for our community. We must appropriately insure our \$63,000,000+ property. We are in close consultation with our insurance rep, an Area Sr. VP for Gallagher Insurance, a global agency. We are also in contact with other boards, management companies and managers. Our rep is detailing for us the underwriting decisions he is experiencing in real time and the criteria he is gleaning from those decisions, the ebb and flow of reinsurance capacity, and illustrating for us how specific insurers are layering exposures in order to offer full coverage packages to the very best property risks. We are also monitoring the impact of new legislation on the market. Many communities are special assessing in order to purchase statutorily mandated insurance. Many communities have dropped wind coverage on renewal because the going rate, at this moment in time, is \$500,000 for a single year of \$1,000,000 in coverage. It is no exaggeration to classify the commercial insurance situation in Florida as a financial catastrophe for many associations.

While we will continue to monitor the situation closely and work with our very conscientious rep, there are no guarantees about what might happen at our mid-May renewal. The board will let our managers manage the property, and we will stay focused on addressing the genuine business challenges to the operations of our community, not the minor distractions of the day.

Summer House, despite whatever temporary distress this insurance crisis imposes on us, will thrive and prosper going forward. We are a solid community with deep management and board experience and skill. We'll keep you informed.

Thanks for your trust and support.

**Joe Gill**  
**President**