A bill to be entitled 1 2 An act relating to condominiums; creating s. 627.714, 3 F.S.; requiring coverage under a condominium unit owner's 4 policy to include a specified amount of loss-assessment 5 coverage; amending s. 718.111, F.S.; requiring coverage 6 for certain personal property to be the responsibility of 7 the condominium unit owner under certain circumstances; 8 revising board meeting notice requirements; requiring 9 insurance policies issued or renewed on or after a 10 specified date to conform to specified loss-assessment coverage requirements; revising and deleting provisions 11 relating to hazard or casualty insurance coverage 12 13 requirements, to conform; deleting a provision requiring 14 the condominium association to be an additional named 15 insured and loss payee on all casualty insurance policies 16 issued to unit owners in the condominium operated by the association; amending s. 718.112, F.S.; revising 17 requirements for the reappointment of certain board 18 19 members; revising board eligibility requirements; revising notice requirements for board candidates; extending a 20 21 period in which condominium common areas do not have to be 22 retrofitted with sprinkler systems; providing that certain 23 directors and officers delinquent in the payment of any 24 fee, fine, or regular or special assessments shall be 25 deemed to have abandoned their office; providing an 26 effective date.

Be It Enacted by the Legislature of the State of Florida:

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Section 1. Section 627.714, Florida Statutes, is created to read:

627.714 Condominium unit owner's coverage; loss-assessment coverage required.—For policies issued or renewed on or after October 1, 2009, coverage under a condominium unit owner's policy shall include loss-assessment coverage of at least \$2,000. The loss-assessment coverage shall cover the unit owner's share of the master policy deductible and the unit owner's share of an assessment against all condominium unit owners by the association, up to the limit of liability in effect at the time of the loss that results in the assessment. At a minimum, the loss-assessment coverage must cover assessments for a loss to property for a peril insured by the association.

Section 2. Paragraphs (a), (b), (c), (d), (f), (g), (j), and (n) of subsection (11) of section 718.111, Florida Statutes, are amended to read:

718.111 The association.--

(11) INSURANCE. -- In order to protect the safety, health, and welfare of the people of the State of Florida and to ensure consistency in the provision of insurance coverage to condominiums and their unit owners, this subsection applies to every residential condominium in the state, regardless of the date of its declaration of condominium. It is the intent of the Legislature to encourage lower or stable insurance premiums for associations described in this subsection.

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(a) Adequate <u>property</u> hazard insurance, regardless of any requirement in the declaration of condominium for coverage by the association for full insurable value, replacement cost, or similar coverage, shall be based upon the replacement cost of the property to be insured as determined by an independent insurance appraisal or update of a prior appraisal. The <u>replacement cost full insurable value</u> shall be determined at least once every 36 months.

- 1. An association or group of associations may provide adequate property hazard insurance through a self-insurance fund that complies with the requirements of ss. 624.460-624.488.
- The association may also provide adequate property hazard insurance coverage for a group of no fewer than three communities created and operating under this chapter, chapter 719, chapter 720, or chapter 721 by obtaining and maintaining for such communities insurance coverage sufficient to cover an amount equal to the probable maximum loss for the communities for a 250-year windstorm event. Such probable maximum loss must be determined through the use of a competent model that has been accepted by the Florida Commission on Hurricane Loss Projection Methodology. 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.

- 3. When determining the adequate amount of <u>property hazard</u> insurance coverage, the association may consider deductibles as determined by this subsection.
- (b) If an association is a developer-controlled association, the association shall exercise its best efforts to obtain and maintain insurance as described in paragraph (a). Failure to obtain and maintain adequate property hazard insurance during any period of developer control constitutes a breach of fiduciary responsibility by the developer-appointed members of the board of directors of the association, unless the members can show that despite such failure, they have made their best efforts to maintain the required coverage.
- (c) Policies may include deductibles as determined by the board.
- 1. The deductibles shall be consistent with industry standards and prevailing practice for communities of similar size and age, and having similar construction and facilities in the locale where the condominium property is situated.
- 2. The deductibles may be based upon available funds, including reserve accounts, or predetermined assessment authority at the time the insurance is obtained.
- 3. The board $\underline{\text{may}}$ shall establish the amount of deductibles based upon the level of available funds and predetermined assessment authority at a meeting of the board. Such meeting

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shall be open to all unit owners in the manner set forth in s. 718.112(2)(e). The notice of such meeting must state the proposed deductible and the available funds and the assessment authority relied upon by the board and estimate any potential assessment amount against each unit, if any. The meeting described in this paragraph may be held in conjunction with a meeting to consider the proposed budget or an amendment thereto.

- (d) An association controlled by unit owners operating as a residential condominium shall use its best efforts to obtain and maintain adequate <u>property</u> insurance to protect the association, the association property, the common elements, and the condominium property that is required to be insured by the association pursuant to this subsection.
- (f) Every property hazard insurance policy issued or renewed on or after January 1, 2009, for the purpose of protecting the condominium shall:
 - 1. Provide primary coverage for:

- $\underline{a.1.}$ All portions of the condominium property as originally installed or replacement of like kind and quality, in accordance with the original plans and specifications.
- $\underline{\text{b.2.}}$ All alterations or additions made to the condominium property or association property $\underline{\text{by the association}}$ pursuant to s. 718.113(2).
- 2.3. The coverage shall Exclude all personal property within the unit or limited common elements, and floor, wall, and ceiling coverings, electrical fixtures, appliances, water heaters, water filters, built-in cabinets and countertops, and window treatments, including curtains, drapes, blinds, hardware,

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and similar window treatment components, or replacements of any of the foregoing. Such property and any insurance therefor shall be the responsibility of the unit owner, if required by this subsection.

- (g) A condominium unit owner's policy issued after October 1, 2009, shall conform to the requirements of s. 627.714. Every hazard insurance policy issued or renewed on or after January 1, 2009, to an individual unit owner must contain a provision stating that the coverage afforded by such policy is excess coverage over the amount recoverable under any other policy covering the same property. Such policies must include special assessment coverage of no less than \$2,000 per occurrence. An insurance policy issued to an individual unit owner providing such coverage does not provide rights of subrogation against the condominium association operating the condominium in which such individual's unit is located.
- 1. All improvements or additions to the condominium property that benefit fewer than all unit owners shall be insured by the unit owner or owners having the use thereof, or may be insured by the association at the cost and expense of the unit owners having the use thereof.
- 1.2. If the declaration of condominium, articles of incorporation, or bylaws provide, the association may shall require each owner to provide evidence of a currently effective policy of property hazard and liability insurance upon request, but not more than once per year. Upon the failure of an owner to provide a certificate of insurance issued by an insurer approved to write such insurance in this state within 30 days after the

date on which a written request is delivered, the association may purchase a policy of insurance on behalf of an owner. The cost of such a policy, together with reconstruction costs undertaken by the association but which are the responsibility of the unit owner, may be collected in the manner provided for the collection of assessments in s. 718.116.

- 2.3. All reconstruction work after a property casualty loss shall be undertaken by the association except as otherwise authorized in this section. A unit owner may undertake reconstruction work on portions of the unit with the prior written consent of the board of administration. However, such work may be conditioned upon the approval of the repair methods, the qualifications of the proposed contractor, or the contract that is used for that purpose. A unit owner shall obtain all required governmental permits and approvals prior to commencing reconstruction.
- 3.4. Unit owners are responsible for the cost of reconstruction of any portions of the condominium property for which the unit owner is required to carry property casualty insurance, and any such reconstruction work undertaken by the association shall be chargeable to the unit owner and enforceable as an assessment pursuant to s. 718.116. The association must be an additional named insured and loss payee on all casualty insurance policies issued to unit owners in the condominium operated by the association.
- $\underline{4.5.}$ A multicondominium association may elect, by a majority vote of the collective members of the condominiums operated by the association, to operate such condominiums as a

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single condominium for purposes of insurance matters, including, but not limited to, the purchase of the <u>property hazard</u> insurance required by this section and the apportionment of deductibles and damages in excess of coverage. The election to aggregate the treatment of insurance premiums, deductibles, and excess damages constitutes an amendment to the declaration of all condominiums operated by the association, and the costs of insurance shall be stated in the association budget. The amendments shall be recorded as required by s. 718.110.

- (j) Any portion of the condominium property required to be insured by the association against <u>property</u> <u>easualty</u> loss pursuant to paragraph (f) which is damaged by casualty shall be reconstructed, repaired, or replaced as necessary by the association as a common expense. All <u>property hazard</u> insurance deductibles, uninsured losses, and other damages in excess of <u>property hazard</u> insurance coverage under the <u>property hazard</u> insurance policies maintained by the association are a common expense of the condominium, except that:
- 1. A unit owner is responsible for the costs of repair or replacement of any portion of the condominium property not paid by insurance proceeds, if such damage is caused by intentional conduct, negligence, or failure to comply with the terms of the declaration or the rules of the association by a unit owner, the members of his or her family, unit occupants, tenants, guests, or invitees, without compromise of the subrogation rights of any insurer as set forth in paragraph (g).
- 2. The provisions of subparagraph 1. regarding the financial responsibility of a unit owner for the costs of

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repairing or replacing other portions of the condominium property also apply to the costs of repair or replacement of personal property of other unit owners or the association, as well as other property, whether real or personal, which the unit owners are required to insure under paragraph (g).

- 3. To the extent the cost of repair or reconstruction for which the unit owner is responsible under this paragraph is reimbursed to the association by insurance proceeds, and, to the extent the association has collected the cost of such repair or reconstruction from the unit owner, the association shall reimburse the unit owner without the waiver of any rights of subrogation.
- 4. The association is not obligated to pay for repair or reconstruction or repairs of property casualty losses as a common expense if the property casualty losses were known or should have been known to a unit owner and were not reported to the association until after the insurance claim of the association for that property casualty was settled or resolved with finality, or denied on the basis that it was untimely filed.
- (n) The association is not obligated to pay for any reconstruction or repair expenses due to property casualty loss to any improvements installed by a current or former owner of the unit or by the developer if the improvement benefits only the unit for which it was installed and is not part of the standard improvements installed by the developer on all units as part of original construction, whether or not such improvement is located within the unit. This paragraph does not relieve any

party of its obligations regarding recovery due under any insurance implemented specifically for any such improvements.

- Section 3. Paragraphs (d), (l), and (n) of subsection (2) of section 718.112, Florida Statutes, are amended to read:
 - 718.112 Bylaws.--

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- (2) REQUIRED PROVISIONS. -- The bylaws shall provide for the following and, if they do not do so, shall be deemed to include the following:
 - (d) Unit owner meetings. --
- There shall be an annual meeting of the unit owners held at the location provided in the association bylaws and, if the bylaws are silent as to the location, the meeting shall be held within 45 miles of the condominium property. However, such distance requirement does not apply to an association governing a timeshare condominium. Unless the bylaws provide otherwise, a vacancy on the board caused by the expiration of a director's term shall be filled by electing a new board member, and the election shall be by secret ballot; however, if the number of vacancies equals or exceeds the number of candidates, no election is required. The terms of all members of the board shall expire at the annual meeting and such board members may stand for reelection unless otherwise permitted by the bylaws. In the event that the bylaws permit staggered terms of no more than 2 years and upon approval of a majority of the total voting interests, the association board members may serve 2-year staggered terms. If the number no person is interested in or demonstrates an intention to run for the position of a board members member whose terms have term has expired according to

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the provisions of this subparagraph exceeds the number of eligible members showing interest in or demonstrating an intention to run for the vacant positions, each such board member whose term has expired shall become eligible for reappointment be automatically reappointed to the board of administration and need not stand for reelection. In a condominium association of more than 10 units, coowners or cooccupants of a unit may not serve as members of the board of directors at the same time unless they own more than one unit. Any unit owner desiring to be a candidate for board membership shall comply with subparagraph 3. A person who has been suspended or removed by the division under this chapter, or who is delinquent in the payment of any fee, fine, or special or regular assessment as provided in paragraph (n), is not eligible for board membership. A person who has been convicted of any felony in this state or in a United States District or Territorial Court, or who has been convicted of any offense in another jurisdiction that would be considered a felony if committed in this state, is not eligible for board membership unless such felon's civil rights have been restored for a period of no less than 5 years as of the date on which such person seeks election to the board. The validity of an action by the board is not affected if it is later determined that a member of the board is ineligible for board membership due to having been convicted of a felony.

2. The bylaws shall provide the method of calling meetings of unit owners, including annual meetings. Written notice, which notice must include an agenda, shall be mailed, hand delivered,

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or electronically transmitted to each unit owner at least 14 days prior to the annual meeting and shall be posted in a conspicuous place on the condominium property at least 14 continuous days preceding the annual meeting. Upon notice to the unit owners, the board shall by duly adopted rule designate a specific location on the condominium property or association property upon which all notices of unit owner meetings shall be posted; however, if there is no condominium property or association property upon which notices can be posted, this requirement does not apply. In lieu of or in addition to the physical posting of notice of any meeting of the unit owners on the condominium property, the association may, by reasonable rule, adopt a procedure for conspicuously posting and repeatedly broadcasting the notice and the agenda on a closed-circuit cable television system serving the condominium association. However, if broadcast notice is used in lieu of a notice posted physically on the condominium property, the notice and agenda must be broadcast at least four times every broadcast hour of each day that a posted notice is otherwise required under this section. When broadcast notice is provided, the notice and agenda must be broadcast in a manner and for a sufficient continuous length of time so as to allow an average reader to observe the notice and read and comprehend the entire content of the notice and the agenda. Unless a unit owner waives in writing the right to receive notice of the annual meeting, such notice shall be hand delivered, mailed, or electronically transmitted to each unit owner. Notice for meetings and notice for all other purposes shall be mailed to each unit owner at the address last

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CODING: Words stricken are deletions; words underlined are additions.

furnished to the association by the unit owner, or hand delivered to each unit owner. However, if a unit is owned by more than one person, the association shall provide notice, for meetings and all other purposes, to that one address which the developer initially identifies for that purpose and thereafter as one or more of the owners of the unit shall so advise the association in writing, or if no address is given or the owners of the unit do not agree, to the address provided on the deed of record. An officer of the association, or the manager or other person providing notice of the association meeting, shall provide an affidavit or United States Postal Service certificate of mailing, to be included in the official records of the association affirming that the notice was mailed or hand delivered, in accordance with this provision.

3. The members of the board shall be elected by written ballot or voting machine. Proxies shall in no event be used in electing the board, either in general elections or elections to fill vacancies caused by recall, resignation, or otherwise, unless otherwise provided in this chapter. Not less than 60 days before a scheduled election, the association shall mail, deliver, or electronically transmit, whether by separate association mailing or included in another association mailing, delivery, or transmission, including regularly published newsletters, to each unit owner entitled to a vote, a first notice of the date of the election along with a certification form provided by the division attesting that he or she has read and understands, to the best of his or her ability, the governing documents of the association and the provisions of

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this chapter and any applicable rules. Any unit owner or other eligible person desiring to be a candidate for the board must give written notice of intent to be a candidate to the association not less than 40 days before a scheduled election. Together with the written notice and agenda as set forth in subparagraph 2., the association shall mail, deliver, or electronically transmit a second notice of the election to all unit owners entitled to vote therein, together with a ballot which shall list all candidates. Upon request of a candidate, the association shall include an information sheet, no larger than 8 $1/2 \frac{81/2}{2}$ inches by 11 inches, which must be furnished by the candidate not less than 35 days before the election, shall along with the signed certification form provided for in this subparagraph, to be included with the mailing, delivery, or transmission of the ballot, with the costs of mailing, delivery, or electronic transmission and copying to be borne by the association. The association is not liable for the contents of the information sheets prepared by the candidates. In order to reduce costs, the association may print or duplicate the information sheets on both sides of the paper. The division shall by rule establish voting procedures consistent with the provisions contained herein, including rules establishing procedures for giving notice by electronic transmission and rules providing for the secrecy of ballots. Elections shall be decided by a plurality of those ballots cast. There shall be no quorum requirement; however, at least 20 percent of the eligible voters must cast a ballot in order to have a valid election of members of the board. No unit owner shall permit any other

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person to vote his or her ballot, and any such ballots improperly cast shall be deemed invalid, provided any unit owner who violates this provision may be fined by the association in accordance with s. 718.303. A unit owner who needs assistance in casting the ballot for the reasons stated in s. 101.051 may obtain assistance in casting the ballot. The regular election shall occur on the date of the annual meeting. The provisions of this subparagraph shall not apply to timeshare condominium associations. Notwithstanding the provisions of this subparagraph, an election is not required unless more candidates file notices of intent to run or are nominated than board vacancies exist.

- 4. Any approval by unit owners called for by this chapter or the applicable declaration or bylaws, including, but not limited to, the approval requirement in s. 718.111(8), shall be made at a duly noticed meeting of unit owners and shall be subject to all requirements of this chapter or the applicable condominium documents relating to unit owner decisionmaking, except that unit owners may take action by written agreement, without meetings, on matters for which action by written agreement without meetings is expressly allowed by the applicable bylaws or declaration or any statute that provides for such action.
- 5. Unit owners may waive notice of specific meetings if allowed by the applicable bylaws or declaration or any statute. If authorized by the bylaws, notice of meetings of the board of administration, unit owner meetings, except unit owner meetings called to recall board members under paragraph (j), and

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committee meetings may be given by electronic transmission to unit owners who consent to receive notice by electronic transmission.

- 6. Unit owners shall have the right to participate in meetings of unit owners with reference to all designated agenda items. However, the association may adopt reasonable rules governing the frequency, duration, and manner of unit owner participation.
- 7. Any unit owner may tape record or videotape a meeting of the unit owners subject to reasonable rules adopted by the division.
- 8. Unless otherwise provided in the bylaws, any vacancy occurring on the board before the expiration of a term may be filled by the affirmative vote of the majority of the remaining directors, even if the remaining directors constitute less than a quorum, or by the sole remaining director. In the alternative, a board may hold an election to fill the vacancy, in which case the election procedures must conform to the requirements of subparagraph 3. unless the association governs 10 units or less and has opted out of the statutory election process, in which case the bylaws of the association control. Unless otherwise provided in the bylaws, a board member appointed or elected under this section shall fill the vacancy for the unexpired term of the seat being filled. Filling vacancies created by recall is governed by paragraph (j) and rules adopted by the division.

Notwithstanding subparagraphs (b) 2. and (d) 3., an association of 10 or fewer units may, by the affirmative vote of a majority of

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the total voting interests, provide for different voting and election procedures in its bylaws, which vote may be by a proxy specifically delineating the different voting and election procedures. The different voting and election procedures may provide for elections to be conducted by limited or general proxy.

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(1)Certificate of compliance. -- There shall be a provision that a certificate of compliance from a licensed electrical contractor or electrician may be accepted by the association's board as evidence of compliance of the condominium units with the applicable fire and life safety code. Notwithstanding the provisions of chapter 633 or of any other code, statute, ordinance, administrative rule, or regulation, or any interpretation of the foregoing, an association, condominium, or unit owner is not obligated to retrofit the common elements or units of a residential condominium with a fire sprinkler system or other engineered lifesafety system in a building that has been certified for occupancy by the applicable governmental entity, if the unit owners have voted to forego such retrofitting and engineered lifesafety system by the affirmative vote of two-thirds of all voting interests in the affected condominium. However, a condominium association may not vote to forego the retrofitting with a fire sprinkler system of common areas in a high-rise building. For purposes of this subsection, the term "high-rise building" means a building that is greater than 75 feet in height where the building height is measured from the lowest level of fire department access to the floor of the highest occupiable story. For purposes of this subsection,

the term "common areas" means any enclosed hallway, corridor, lobby, stairwell, or entryway. In no event shall the local authority having jurisdiction require completion of retrofitting of common areas with a sprinkler system before the end of $\underline{2025}$ $\underline{2014}$.

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- 1. A vote to forego retrofitting may be obtained by limited proxy or by a ballot personally cast at a duly called membership meeting, or by execution of a written consent by the member, and shall be effective upon the recording of a certificate attesting to such vote in the public records of the county where the condominium is located. The association shall mail, hand deliver, or electronically transmit to each unit owner written notice at least 14 days prior to such membership meeting in which the vote to forego retrofitting of the required fire sprinkler system is to take place. Within 30 days after the association's opt-out vote, notice of the results of the opt-out vote shall be mailed, hand delivered, or electronically transmitted to all unit owners. Evidence of compliance with this 30-day notice shall be made by an affidavit executed by the person providing the notice and filed among the official records of the association. After such notice is provided to each owner, a copy of such notice shall be provided by the current owner to a new owner prior to closing and shall be provided by a unit owner to a renter prior to signing a lease.
- 2. As part of the information collected annually from condominiums, the division shall require condominium associations to report the membership vote and recording of a certificate under this subsection and, if retrofitting has been

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undertaken, the per-unit cost of such work. The division shall annually report to the Division of State Fire Marshal of the Department of Financial Services the number of condominiums that have elected to forego retrofitting.

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- (n) Director or officer delinquencies.—A director or officer more than 90 days delinquent in the payment of <u>any fee, fine, or regular or special</u> assessments shall be deemed to have abandoned the office, creating a vacancy in the office to be filled according to law.
 - Section 4. This act shall take effect October 1, 2009.