

# Bellini

BAL HARBOUR ON THE OCEAN

April 7, 2011

To: All Unit Owners  
From: Jeffrey Freimark (Board Treasurer)

I am pleased to provide an update regarding our insurance program, which renewed on Thursday April 7th. To summarize, the program put in place is considerably stronger than in the past.

In comparing the costs, the expiring program is at \$530,226. The proposed program with continuation of a 5% wind deductible for named storms came to \$430,743 and with a buy-down to a 2% deductible for named storms, which is what was bound, comes to \$529,007. Our broker also presented a plate glass coverage program and at my request, a proposal to increase the umbrella liability from \$25 million to \$50 million. These additions bring the total program to \$562,300. You should know that the budget for this year is \$447,000. We'll have to project the year out as the new program will be in place for 75% of the calendar year. I'm not certain as to how the budget was compiled.

We also received preliminary proposals to acquire flood and earthquake coverage at various options. These are not being presented at this time as additional study is required.

As it relates to terms and conditions of the new program, following are the key points:

-Ratings (Best and S&P) of the companies are at or above acceptable levels.

**-Property program:**

- Building Law and Ordinance sub-limit (code compliance for updates) goes from not-covered to \$5 million
- Debris removal goes from \$250 thousand to \$2.5 million or 25%, whichever is greater
- Valuable papers and records goes from non-covered to \$250 thousand
- All other perils deductible goes from \$10 thousand to \$5 thousand

**-Plate Glass:**

- The broker presented a creative risk mitigation proposal to us
- The perils covered for this program include BOTH named AND non-named storms
- The option selected has retention (deductible) during the policy term of \$5,035
- This covers all glass in the condo (common areas and units) at replacement cost

**-Boiler and Machinery:**

- Program terms and conditions enhanced. Various increases in sub-limit coverages. Deductible increases from \$1,000 to \$2,500.

**-General Liability:**

- Significant gaps eliminated as follows
- Hired/non-owned auto liability goes from not-covered to \$1 million/\$2 million coverage
- Employee Benefits Liability goes from not-covered to \$1 million coverage

**-Garagekeepers coverage:**

--Per vehicle cap raised from \$50 thousand to \$250 thousand

--Deductibles increase

--We need to address the Park One contract as the insurance provisions and indemnities are not written to my satisfaction and leave us potentially exposed

--We should address the potential of entirely in-sourcing this or entirely out-sourcing this.

This coverage is required because our employees park the cars during the overnight hours.

**-Umbrella liability coverage:**

--I specifically requested an option to increase the umbrella to \$50 million, which increased the premium by \$1,942

--My concern was that this is a high rise, comprised of high net-worth individuals and a catastrophic fire would result in significant litigation

**-Workers compensation:**

--Not included in the dollars reflected above, but as discussed at the last meeting, an area that must be addressed proactively by management with our support

--Premium went from \$13,400 to \$22,200 based entirely on negative experience

--Incumbent carrier had to be convinced to renew

--Without the ability to renew next year, we would go into the state pool and premiums will quadruple

--This is an area that will explode on us if we don't get assertive

**-Directors and Officers:**

--Significant improvement in the inclusion of Fiduciary and EPL (employee liability) coverage

--Left at \$2 million since the umbrella rides over this

--However, could not reduce to \$1 million because of bad claims history

**-Professional liability (Spa):** no comments/no changes

**-Crime:**

--Money orders and Counterfeit money not-covered previously; now included at \$500 thousand

Our broker fee went from approximately \$74,000 of earned commissions last year for all programs, including medical and workers compensation, to a \$30,000 fee this year. All programs have been consolidated with our new broker (Riemer Insurance). In addition, we retained an insurance consultant at a cost of \$4,500. Commissions of \$17,115 included in policy costs above will be reduced from the \$30,000 fee.

One other point- Riemer has offered to work with any unit owner who might want their insurance reviewed to ensure it's in sync with the building's program. Let me know if you would like their contact information.

While we will certainly discuss this at the next board meeting, I believe it appropriate for all unit owners to receive this update.

Jeffrey Freimark