



# When the Insurance Money Runs Out...

## ...Before the Work Is Finished

by Lars Holfve



**A**fter a casualty, the insured informs their insurance company and they send an adjustor to estimate how much it will cost to repair the damage. A lot of this activity took place in Florida in the fall of 2004, after several hurricanes zeroed in on the Florida coastline.

The problem is that most of the time this estimate falls short of what it really costs to repair the damage and if the insured is an association, the board has to deal with all this. Unfortunately, it may not be obvious initially that not enough funds have been provided.

The traditional method to make up the shortfall has been to collect special assessments, which are always unpopular, and frequently, have to be repeated until the repairs are finished. There is a better way, which is to hire a general contractor, who has extensive experience dealing with insurance claims and who can get an accurate assessment of the damages and what it really will cost to make repairs.

The insurance company will pay the contractor fees in addition to the true costs of repairs, but additional processes may be required to obtain the correct funds from the insurance company. It is important that the association hires a general contractor with specialized experience.

The Tanglewood Condominium Association in the Suntree area of Melbourne, Florida, suffered substantial damage in September 2004,

and their insurance company estimated the damage to be \$230,000. The board believed this to be true and made another mistake by trying to act as their own general contractor, a practice that many adjustors encourage.

After two special assessments that still did not cover even half of the repairs, this association started to have to deal with a lot of dissension, rancor, and disagreements. Only two out of three roofs had been replaced and none of the repairs or the rest of the damages had been started.

Later, an experienced general contractor got involved and an accurate assessment

of the scope of the damages was made. A cost estimate was done for that scope and forwarded to the insurance company with a request for binding arbitration. In this case, it never went that far, since the appraiser for the insurance company eventually agreed to both the scope and the price that had been submitted by the general contractor. The insurance company had to provide the association with \$1,009,000 to repair the damages. Many times, a mediator has to be engaged, if the two appraisers do not agree, but the results are binding on the parties, unless a lawsuit is filed.

The work eventually got under way again. Most of the interior work is now completed and the entire project should be finished by this fall. Unfortunately, a lot of time was lost, since the board accepted what the adjustor told them, and they tried to act as their own general contractor, which is not nearly as easy as it may sound. This action is not recommended for associations, regardless of whether the insurance companies prefer it.

The key is having the expertise to deal with insurance companies, accurate estimating, and scope of damages. I hope all associations can learn from what happened to this association. They are not alone with these experiences; I have been involved with other associations that had similar experiences and wasted both a lot of time and money.

Lars Holfve is owner of Lars Holfve Construction Consulting, Inc. in Cocoa, FL. ■



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