



After the Condo Collapse: Surfside's Impact on the Insurance Industry

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Proprietary Notice

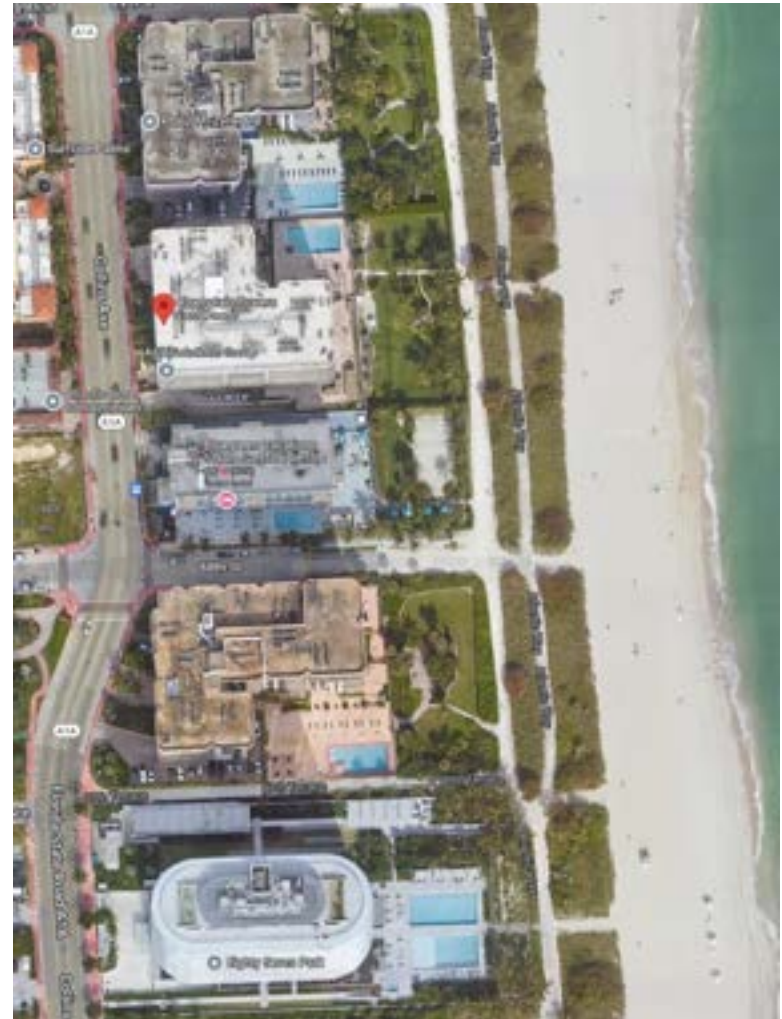


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The Event – What Happened?

Champlain Towers South







The Development



Source: Miami Herald

The Development



	Champlain Towers South	Champlain Towers North	Champlain Towers East	Mirage on the Ocean
				
Major Developers	Nathan Reiber, Nathan Goldlist, R. Abe Blankenstein, Isadore Goldlist, Stephen Gonda	Nathan Reiber, Nathan Goldlist, R. Abe Blankenstein	Stephen Gonda, Charles Calamaro, Nathan Reiber	Isadore Goldlist, R. Abe Blankenstein, Joseph Fialkov, Harry Goldlist
General Contractor	George Batievsky, Alfred Weisbrod, Arnold Neckman	George Batievsky, Alfred Weisbrod, Arnold Neckman	Miller & Solomon	Miller & Solomon
Structural Engineer	Breiterman Jurado & Associates	Breiterman Jurado & Associates	Zvonimir Belfranin	Zvonimir Belfranin
Architect	William Friedman	William Friedman	William Friedman	William Friedman
Year Opened	1981	1981	1994	1995

Source: Miami Herald

Champlain Towers South

- Part of a 3-building complex including Champlain Towers north and East
- Included a penthouse, which exceeded the Surfside height limit
- First new construction in Surfside following a moratorium on new development imposed by Miami-Dade due to water and sewer infrastructure problems during the 1970's
- In 1979, developers paid \$200,000 (equivalent of \$750,000 today) to fund the replacement of the sewer system and secure approval for the construction of the condos

Be the first to get the best of the last.

We're closing out the last 27 of our elegant condominium residences on the Ocean in Miami Beach.

The best of the last is waiting for you at magnificent Champlain Towers, our 12-story, 100-unit ocean-view building. Amenities of a luxury resort, including a swimming pool, tennis court, and more. Call today for details. Call 305-555-1234. www.champlaintowers.com

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305.555.1234
Call 305.555.1234

Surfside Condominium Collapse



Source: <https://www.youtube.com/watch?v=OtY4JvpzemA>

The Collapse



- Occurred on June 24, 2021 at approximately 1:22am, however the pool deck suffered a partial collapse at about 1:14am
- Lasted 12 seconds
- Surveillance video: Large north central section the building abruptly collapsed first, isolating and destabilizing the northeast corner of the building, which also collapsed nine seconds later.
- Half of the 136 units were destroyed
- 98 people confirmed dead, and 126 survivors
- Third deadliest structural engineering failure in US History behind Hyatt Regency walkway (KC) collapse and collapse of Pemberton Mill (MA).



The Collapse



The Collapse



Event Timeline



Investigation shows long-term degradation of reinforced concrete structural support in the basement-level parking garage under pool deck, caused by water penetrating and corroding support steel.

The Collapse

Final missing person **identified**, and death toll finalized.

Judge Michael Hanzman approves unprecedented **\$1.02B Settlement**.

2018

June 24, 2021

July 26, 2021

June 23, 2022

April 2021

June 24, 2021

May 2022

Problem found to be much worse than once thought - \$15M remedial program put into place.

Lawsuit filed by resident against the Champlain Towers South Condominium Association. Suit seeks \$5 million in damages.

Collapse site **sold** for \$120 million to Dubai-based developer Damac. New properties to be branded as Cavalli Luxury Residences.

Casualty Timeline

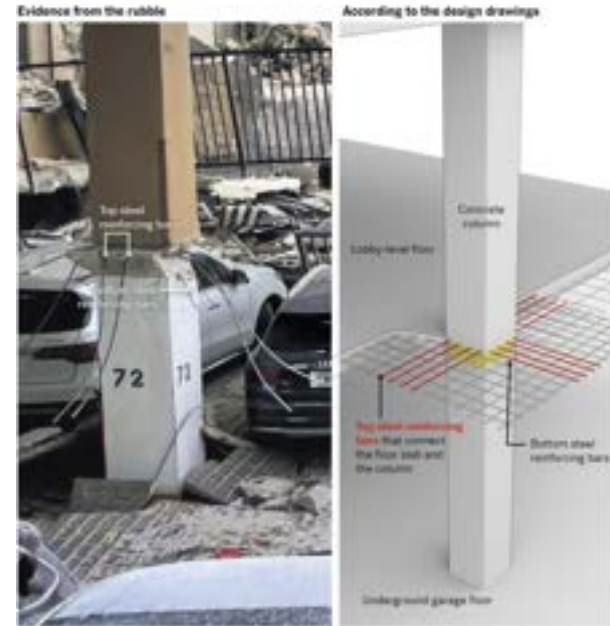


JUNE	EARLY JULY	MID JULY	LATE JULY	
<p>June 24</p> <ul style="list-style-type: none">• Collapse - 1:22am• 80 rescue units• 35 people rescued• 159 unaccounted for• State of Emergency Declared <p>June 26</p> <ul style="list-style-type: none">• Fire spreading laterally through rubble• 156 missing• 5 confirmed dead• Mandatory evacuations of Towers North and East <p>June 27</p> <ul style="list-style-type: none">• 152 missing• 9 confirmed dead <p>June 28</p> <ul style="list-style-type: none">• 150 missing• 11 confirmed dead <p>June 29</p> <ul style="list-style-type: none">• 149 missing• 12 confirmed dead <p>June 30</p> <ul style="list-style-type: none">• 145 missing• 18 confirmed dead	<p>July 1</p> <ul style="list-style-type: none">• Search halted at 2am due to instability of still-intact western part of building that had not collapsed.• Work resumed after a 15-hour delay <p>July 2</p> <ul style="list-style-type: none">• Death Toll – 22• Unaccounted - 126• Officials locate families not present during collapse <p>July 3</p> <ul style="list-style-type: none">• Demo advanced due to pending tropical storm Elsa• Thermographic scans and drones used to find pets• Death toll 24, missing 121	<p>July 4</p> <ul style="list-style-type: none">• Demo occurs at 10:30am despite opposing of petitions• Search resumed 20 minutes later <p>July 5</p> <ul style="list-style-type: none">• Debris removal <p>July 6</p> <ul style="list-style-type: none">• 36 dead, 109 missing <p>July 7</p> <ul style="list-style-type: none">• Death toll 46, 94 missing <p>July 9</p> <ul style="list-style-type: none">• Death toll 79 after workers found an additional 15 victims.• Binx, a cat who lived with tenant's family found alive	<p>July 11</p> <ul style="list-style-type: none">• Death toll to 86• 43 remain missing <p>July 11</p> <ul style="list-style-type: none">• Death toll to 90• 31 remain missing <p>July 12</p> <ul style="list-style-type: none">• Death toll to 94• 22 remain missing <p>July 13</p> <ul style="list-style-type: none">• Death toll to 95 <p>July 14</p> <ul style="list-style-type: none">• Death toll to 96• 14 remain missing <p>July 15</p> <ul style="list-style-type: none">• Total confirmed deaths at 97• All but 7 had been positively identified.• 8 remain missing	<p>July 17</p> <ul style="list-style-type: none">• 95 of 97 victims positively identified <p>July 23</p> <ul style="list-style-type: none">• Miami-Dade Fire Dept discontinues recovery effort <p>July 26</p> <ul style="list-style-type: none">• Final missing person was identified.• Final death count at 98, all positively identified

Known Deficiencies

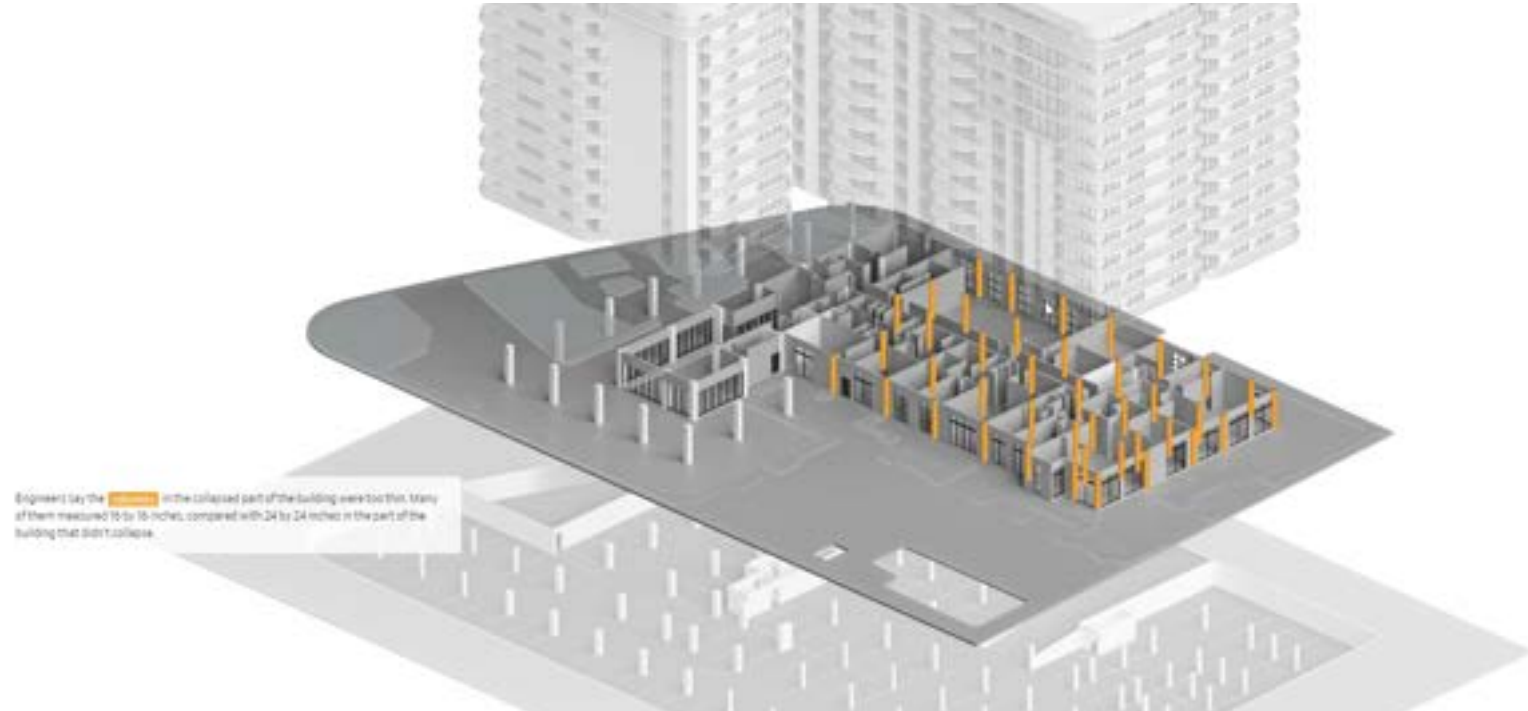


- Highly corrosive environment
 - Saltwater ingress into the building
 - Salty air environment
 - Decades-long concrete deterioration
- Long term degradation of reinforced concrete structural support in the basement-level parking garage under the pool deck
 - Water penetration
 - Corrosion of the reinforcing steel
- Insufficient top-and-bottom steel reinforcing bars in concrete columns



Source: *New York Times*

Suspected Causes



Source: *Wall Street Journal*



Settlement – Resolution

March 2022: First Settlement – Economic Loss



- Florida Statute 718.119 : Unit owners “may be personally liable for the acts or omissions of the association in relation to the use of the common elements.”
 - Impact: Exposure to value of individual unit, when damages exceed the limits of liability coverage for association (\$18M)
- Final Amount: \$96,000,000
- Money to victims with property loss claims without litigation AND release of potential claims under 718.118
- “Opt Out” Provision

**ORDER APPROVING FORM OF NOTICE OF PROCEEDINGS TO APPROVE
ALLOCATION SETTLEMENT AGREEMENT**

May 2022: Second Settlement – Wrongful Death



Party	Role	Amount
Town Of Surfside	Issued Roof Repair Permit	\$ 2,000,000.00
Securitas	Security Firm for Champlain Towers	\$ 517,000,000.00
87 Park Associates	Condo Association / Adjacent Property	\$ 29,000,000.00
Bizzi & Partners Development Company	Developer	\$ 16,000,000.00
8703 Collins Development	87 Park Developer	\$ 28,000,000.00
DeSimone Consulting Engineering	Structural Engineer for 87 Park	\$ 8,550,000.00
CCIP	Contractor Controlled Insurance Program: JMAP	\$ 84,000,000.00
John Moriarty and Associates (JMAP)	GC for 87 Park	\$ 157,000,000.00
Morabito Consultants, Inc.	Performed 2018 Inspection	\$ 16,000,000.00
NVS	Geotechnical engineer: 87 Park	\$ 25,681,971.00
Stantec	Architect: 87 Park	\$ 16,490,779.00
Becker & Poliakoff PA	Condo Association's Law Firm	\$ 31,000,000.00
Florida Civil	Engineer: 87 Park	\$ 6,900,000.00
Chuck's Backhoe	Sub: 87 Park	\$ 250,000.00
ASAP Installations	Sub: 87 Park	\$ 250,000.00
H. Vidal and Assoc.	Landscape Architect: 87 Park	\$ 985,000.00
Rhett Roy Architecture-Planning, P.A.	Landscape Architect: Champlain Towers South	\$ 1,000,000.00
Concrete Protection and Restoration (CP&R / CP&R LLC)	Scheduled to Perform Repair: Champlain Towers South	\$ 11,000,000.00
Willcott Engineering, Inc.	Performed 2020 Inspection	\$ 982,500.00
Sammet Pools, Inc. (SPI)	Vendor: Champlain Towers South	\$ 9,800,000.00
Scott Vaughn PE	Aquatic Civil Engineering firm: Champlain Towers South	\$ 4,000,000.00
Concrete Dewatering Pump and Wellpoints (CDPW, Inc.)	Sub: 87 Park	\$ 3,100,000.00
Babiate & Associates (R.E.E. Consulting)	Performed 2017 Inspection	\$ 1,000,000.00
Western Waterproofing	Performed Champlain Towers South repairs in mid-1990s	\$ 25,000,000.00
Company Roof Maintenance (CRM)	Roofing Contractor for recertification project	\$ 1,200,000.00
Geosonics	Sub to NVS	\$ 5,000,000.00
O&S Associates	Performed 01/2020 Inspection: Champlain Towers South	\$ 4,000,000.00
Tannenbaum	Agent: Champlain Towers South	\$ 7,000,000.00
Other		
Auction of Property	Buyer: DAMIC Properties, Inc.	\$120,000,000
	Total	\$ 1,132,190,750.00

Attorney Fees:

- **\$71,000,000**
- **6 to 7% of total recovery**

Insurer Involvement



EXHIBIT I
SCHEDULE OF SECURITAS' INSURERS

XL Insurance America, Inc. Policy # : US0005451L121A Policy Period: 1.1.21 – 1.1.22	XL Insurance America, Inc. Policy # : US 0005452L121A Policy Period: 1.1.21 – 1.1.22
XL Insurance Company SE Policy # : SE00000429LE121A Policy Period: 1.1.21 – 12.31.21	AGG Europe SA - Sweden Branch Policy # : 113-6092 Policy Period: 1.1.21 – 12.31.21
Zurich Insurance Plc UK Branch Policy # : B1723UBMCI2150003 Policy Period: 1.1.21 – 12.31.21	Chubb European Group SE Policy # : MA119821 Policy Period: 1.1.21 – 12.31.21
Allied World Assurance Company (Europe) dac ("AWAC") Policy # : B1723UBMCI2150006 Policy Period: 1.1.21 – 12.31.21	HDI Global Specialty SE, Sverige (Sweden) Filial Policy # : MA119821 Policy Period: 1.1.21 – 12.31.21
R&V Allgemeine Versicherung AG Policy # : B1723UBMCI2150010 Policy Period: 1.1.21 – 12.31.21	Chubb European Group SE Policy # : MA129821 Policy Period: 1.1.21 – 12.31.21
Merkel Insurance SE Policy # : 1516546-3642-XSOCC-2021 / # B1723UBMCI2150054 Policy Period: 1.1.21 – 12.31.21	Great Lakes Insurance SE Policy # : B1723UBMCI2150009 Policy Period: 1.1.21 – 12.31.21
Zurich Insurance Plc UK Branch Policy # : B1723UBMCI2150005 Policy Period: 1.1.21 – 12.31.21	HDI Global Specialty SE, Sverige (Sweden) Filial Policy # : MA139821 Policy Period: 1.1.21 – 12.31.21
Aspen Insurance Ltd (Insurance) for and on behalf of Lloyd's Underwriter Syndicate No. 4711 ASP - London, England Policy # : B1723UBMCI2150008 Policy Period: 1.1.21 – 12.31.21	Arcadian Risk Capital Ltd. Security: Third Point Reinsurance Company Ltd. Policy # : B1723UBMCI2150055 Policy Period: 1.1.21 – 12.31.21
R+V Allgemeine Versicherung AG Policy # : B1723UBMCI2150012 Policy Period: 1.1.21 – 12.31.21	Berkshire Hathaway European Insurance DAC Policy # : B1723UBMCI2150011 Policy Period: 1.1.21 – 12.31.21

Great Lakes Insurance SE Policy # : B1723UBMCI2150056 Policy Period: 1.1.21 – 12.31.21	QBE Europe SA/NV, Sweden Branch Policy # : MA149821 Policy Period: 1.1.21 – 12.31.21
Allied World Assurance Company (Europe) dac ("AWAC") Policy # : B1723UBMCI2150003 Policy Period: 1.1.21 – 12.31.21	XL Insurance Company SE Policy # : MA159821 Policy Period: 1.1.21 – 12.31.21
American International Group Limited UK Policy # : 32020733 / # B1723UBMCI2150004 Policy Period: 1.1.21 – 12.31.21	Liberty Mutual Insurance Europe SE Policy # : B1723UBMCI2150007 Policy Period: 1.1.21 – 12.31.21

Insurer Involvement



EXHIBIT J

SCHEDULE OF 8701 COLLINS' INSURANCE POLICIES

Policy	Limit
Penn America Insurance Company Policy No. PAV0252603 Policy Period: 8/1/20 to 8/1/21	\$1,000,000
National Union Fire Insurance Company of Pittsburgh, PA Policy No. EBU 019357984 Policy Period: 8/1/20 to 8/1/21	\$10,000,000
National Union Fire Insurance Company of Pittsburgh, PA Policy No. EBU 014481462 Policy Period: 8/1/19 to 8/1/20	\$10,000,000
Commerce & Industry Insurance Company Policy No. 28197552 Policy Period: 3/20/15 to 3/20/16	\$1,000,000
General Star Indemnity Co. Policy No. DMA-317998 Policy Period: 3/20/15 to 3/20/16	\$1,000,000
Scottsdale Insurance Company Policy No. CPS2245899 Policy Period: 5/12/15 to 5/12/16	\$2,000,000
Scottsdale Insurance Company Policy No. XBS0051269 Policy Period: 5/12/15 to 5/12/16	\$2,000,000
Penn America Insurance Company Policy No. PAV0206189 Policy Period: 8/1/19 to 8/1/20	\$1,000,000
TOTAL SETTLEMENT PAYMENT:	\$28,000,000

EXHIBIT K

SCHEDULE OF CCIP INSURANCE POLICIES

Policy	Limit
Gemini Insurance Company Policy No. CEX09602849-00 Policy Period: 9/1/17 to 3/1/20	\$10,000,000/each occurrence; \$10,000,000 aggregate
Star Surplus Lines Insurance Co. Policy No. 1000015609 Policy Period: 9/1/17 to 4/1/20	\$25,000,000/each occurrence; \$25,000,000 aggregate
Great American Insurance Co. of New York Policy No. EXC2063550 Policy Period: 9/1/17 to 3/1/20	\$25,000,000/each occurrence; \$25,000,000 aggregate
Endurance Assurance Corp. Policy No. EXC30000449300 Policy Period: 9/1/17 to 3/1/20	\$25,000,000/each occurrence; \$25,000,000 aggregate

Insurer Involvement



EXHIBIT L
SCHEDULE OF JMAF'S OTHER INSURANCE POLICIES

Policy	Limit
Arch Insurance Company Policy No. 11PKG8931805 Policy Period: 10/31/20 to 10/31/21	\$2,000,000/each occurrence
XL Specialty Insurance Company Policy No. US00068515LI20A Policy Period: 10/31/20 to 10/31/21	Umbrella/Excess \$10,000,000
American Guarantee and Liability Insurance Company Policy No. AEC 9826955-09 Policy Period: 10/31/20 to 10/31/21	First Level Excess \$25,000,000
Starr Indemnity & Liability Company Policy No. 1000586652201 Policy Period: 10/31/20 to 10/31/21	Second Level Excess \$25,000,000
Endurance American Insurance Company Policy No. XSC10008076505 Policy Period: 10/31/20 to 10/31/21	Third Level Excess \$10,000,000
Berkley National Insurance Company Policy No. CEX09602912-03 Policy Period: 10/31/20 to 10/31/21	Fourth Level Excess \$25,000,000
Houston Casualty Company Policy No. H20XC51585-00 Policy Period: 10/31/20 to 10/31/21	Fifth Level Excess \$15,000,000
The North River Insurance Company Policy No. 5228079057 Policy Period: 10/31/20 to 10/31/21	Sixth Level Excess \$10,000,000
Liberty Insurance Underwriters Inc. Policy No. 1000067099-11 Policy Period: 10/31/20 to 10/31/21	Seventh Level Excess \$25,000,000
Allied World Assurance Company (U.S.) Inc. Policy No. 0312-0904 Policy Period: 10/31/20 to 10/31/21	Professional Liability \$10,000,000
TOTAL:	\$ 157,000,000.00

Claim Process



- Notice sent to affected persons
 - Settlement Amount
 - Claim process
 - Simple
 - Full
- Ability to opt out – 06/16/2022 Deadline
- Claim Deadline – 07/18/2022
- Process like other class actions
 - Court-appointed receiver
 - Class Representatives (5)
 - Plaintiffs' Steering Committee (17)

- Claims Considered
 - Wrongful death of Settlement Class Member (SCM)
 - Personal Injury to (SCM)
 - Loss of personal property of (SCM) but not owners who were resident or invitee

CHAMPLAIN TOWERS SOUTH COLLAPSE WRONGFUL DEATH CLAIM FORM

The purpose of this Claim Form is to provide the Court with information that will be considered when evaluating the wrongful death claims brought because of the Champlain Towers South collapse (the "CTS Collapse"). To be eligible to receive a portion of the recoveries and settlements in the litigation arising out of the Collapse, you must timely submit this Claim Form.

IF YOU PARTICIPATE IN THE CLAIMS PROCESS, ALL AWARD DETERMINATIONS AND ALLOCATIONS BY THE COURT ARE FINAL AND NOT APPEALABLE.

CHAMPLAIN TOWERS SOUTH COLLAPSE PERSONAL INJURY SIMPLE CLAIM FORM

INSTRUCTIONS

On June 24, 2021, the Champlain Towers ("CTS") collapsed. The collapse resulted in many deaths, caused personal injuries and destroyed a large number of Units, along with their contents (the "CTS Collapse").



Legislative Response – Lessons Learned

Legislative Response – Senate Bills 4-D and 154



Safety Inspections*

- “Milestone” (“Phase 1”) inspection by architect or engineer at 30 years, and every 10 thereafter, *or at 25 and ten if within three miles of coast, if justified by local conditions*
- If COO before 07/01/1992, must do initial inspection by 12/31/2024
- Must do within 180 days of assoc. receiving notice from local enforcement agency.
- “Phase 2” inspection if initial shows “P1” shows “substantial structural deterioration
- Gives unit owners* and renters right to inspect and copy inspection reports
- Requires developer and non-developer unit owners to provide prospective buyers copy of report(s).

Funding Reserves: Maintenance and Repair*

- Association must complete “structural integrity reserve study” every 10 years.
- Association existing prior to 07/01/2022 must complete by 12/31/2024
- Scope: Study must assess reserves required for future repair/replacement based on visual inspection.
- Visual inspection by licensed engineer or architect.
- Must be completed for each building before turning over association control to non-developer unit owners.

THE FLORIDA SENATE
2022-D SUMMARY OF LEGISLATION PASSED
Committee on Appropriations

SB 4-D — Building Safety
by Senator Boyd

**Applies to all condominium and cooperative association buildings three or more stories in height*

Lessons Learned – Plaintiffs' Perspective



- Put all potential defendants on notice
- Put all potential defendants' insurers on notice
- Engage experts vital to understanding case
- Initiate any required claims procedures against potentially responsible government agencies
- Preserve evidence
- Identify single forum where all parties can be brought together
- Do cost-benefit on pursuing litigation
- Manage publicity
- Prepare to litigate, but seek and act on early settlement opportunities
- Understand that settlement with some does not mean all

Source: Allen R. Wolff and Ethan Middlebrooks. "Lessons from the Surfside Condo Collapse." *Risk Management Magazine*, June 2022



Impact on Insurance – Marketplace

Property Program



- AOP Coverage – Great American
- Paid full limit of \$30M
- Property was undervalued
- Great American pulled out of AOP space altogether very quickly after collapse
- Wind only – Arrowhead
 - Canceled the policy back to inception
 - Returned all premium

Impact on other Insurance Coverages



- General Liability
- Professional Liability (E&O)
- Construction/OCIP



Underwriting Takeaways



- Risk Selection
 - Other Similarly aged buildings
 - Regulatory Requirements (40-year certification)
 - Warnings or Citations
- Appraisals for the last 3 years (FL)
- Engineering studies or Property Conditions Report?
- Valuations
- CapEx Budget for buildings





Thank you

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