



March 21, 2022

Dear Owners,

Spring has officially arrived! Based on initial indicators, 2022 is going to be another record year with bookings and rental rates on the rise. There is a lot going on at Crystal Tower and the Board and DeAnn wanted to update you on a few items.

At the last Annual Owners' Meeting, which took place on September 11, 2021, Denise (Dee) Love (Jansen/Adjusters International), Daniel Craven (Craven & Perry, PLLC) and the Board provided you an update on the status of the Hurricane Sally Insurance Review. At that time, the Statement of Loss (SOL) and Proof of Loss (POL) was just over \$6 million. This information was sent to Sedgwick on September 24, 2021

Lynn Perry, partner Craven & Perry, received a letter from Sedgwick dated October 9 (see Attachment 1). As outlined in this letter, Sedgwick requested a significant amount of information and documentation to continue their review process. In addition, the Insurers invoked their right to conduct an Examination Under Oath (EUO) with "the person who was most knowledgeable." On January 11, I participated in the EUO along with Lynn Perry and Rachel Breckner. The EUO was conducted by Tanner Stewart with Wood, Smith, Henning & Berman, LLP, the law firm hired by the Insurers.

On March 9, 2022 Jansen/Adjusters updated the SOL and POL to \$6.4 million due to labor and material cost increases. This information was submitted by Lynn Perry to Sedgwick and the Insurers along with the Association's request to arbitrate this dispute (see Attachment 2). At this time, we have not heard anything from Sedgwick or the Insurers regarding our arbitration request.

Since we have moved into the next phase, the Association signed a new agreement with Craven & Perry that supersedes the prior agreement. If this claim can be resolved through mediation their fee is 30% of gross recoveries. If the Association must go to arbitration, Craven & Perry's fee would be 33.3% of gross recoveries. In addition, the Association is responsible for the fees and expenses of an Umpire and/or Arbitrator as well as any expert witnesses. These expenses are estimated to be at least \$250,000.

As you can see, any recovery that the Association receives will be reduced by the attorneys' fees plus additional fees and expenses that would be incurred if this matter goes to mediation or arbitration. All remaining funds will be used to complete repairs for the damage caused by Hurricane Sally.

Since the renewal of Crystal Tower's insurance policy is May 2022, the Board has been working with Todd Dalton of BXS Insurance. If you recall from the Zoom Insurance Information Meeting on May 18, 2021, insurance costs on the coast have increased significantly. Our 2020 premium was about \$60,000 higher and our 2021 premium was about \$230,000 higher. These additional costs were paid out of the reserve fund.

There are only a few carriers who are offering coverage and one firm has exited the market entirely. Because of the size of Crystal Tower, more than one company will be needed to fully insure the entire Crystal Tower complex. When the final coverage is presented, the Association will most likely have four to six policies with multiple carriers. Additionally, the Buy-Back policy will be much higher than last year, and the benefit will be less. For the 2022 renewal, the premium is expected to increase by about 35%.

As discussed, the Association covered the 2020 and 2021 insurance shortfalls, but must now assess each Owner to replenish the reserve fund and cover the 2022 shortfall. This insurance shortfall is approximately \$593,000.

As you are aware, we have several major projects in progress. During the renovation of the South Pool House, there were several galvanized metal studs that had rusted through and required replacement. There were many voids in the concrete masonry units that needed to be filled. The original hollow metal doors and the floor tile on the observation deck, 1st floor, and stairs needed replacement. Also, the plumbing on the South Spa had significant issues which required a large section of the coping and sidewall to be removed. Finally, the south wall (around the Fitness Area) at the North Pool has significant cracks in the Stucco, which will require removal and replacement. The total cost of these items is approximately \$170,000.

As mentioned in my letter on December 20, 2021, staffing and maintenance costs at Crystal Tower have risen. The areas with the most significant increases are security, pool maintenance, landscaping, and trash. These costs amount to \$87,000 annually.

As outlined above, the current shortfall for insurance, repairs, and operating expenses totals \$850k (\$593k+\$170k+\$87k). At its March 18, 2022 meeting, the Board unanimously approved a \$5,000 Assessment/Unit. Since the insurance is due in May, the first payment of \$2,500/Unit is due on May 1, 2022. The final payment of \$2,500/Unit will be due on July 1, 2022. See Attachment 3 for payment coupons.

Regards,

Kevin
President, Board of Directors

Attachment 1



The Art of Adjusting™

October 9, 2021

VIA FEDERAL EXPRESS & ELECTRONIC MAIL

Crystal Tower Condominium Association, Inc.
c/o James Lynn Perry
Craven & Perry, PLLC
P.O. Drawer 4489,
Gulf Shores, AL 36547
lynn@carenperry.com

Re: Proof of Loss, Request for Examination Under Oath, and Reservation of Rights

Insureds:	Crystal Tower Condominium Association, Inc.
Claim Number:	402009238B6-0001
Policy Numbers:	Independent Specialty Insurance Company: VUX-CN-0002447-01 Interstate Fire & Casualty Company: VRX-CN-0002447-01 Certain Underwriters at Lloyd's (#9226): VPC-CN-0002447-01
Policy Period:	05/25/2020 – 05/25/2021
Date of Loss:	September 15, 2020
Loss Location:	1010 W Beach Blvd Gulf Shores, AL 36547

Dear Crystal Tower Condominium Association, Inc.:

The undersigned is an Account Manager for Sedgwick Delegated Authority ("SDA"), which is the Third-Party Claims Administrator for Velocity Claims, LLC ("Velocity"). Velocity administers claims on behalf of Independent Specialty Insurance Company, Interstate Fire & Casualty Company, and Certain Interested Underwriters at Lloyds (Consortium #9226) (collectively, the "Insurers"). The Insurers subscribed to the policy numbers referenced above (collectively, the "Policy"), which was issued to Crystal Tower Condominium Association, Inc. (the "Insured" or "you") for the period of May 25, 2020 to May 25, 2021. The Policy provides coverage for the Property located at 1010 W Beach Blvd., Gulf Shores, AL 36547 (the "Property"), subject to the Policy's terms, conditions, and exclusions. We understand that you submitted a claim to the Insurers for alleged damages related to Hurricane Sally, which has been assigned Claim No. 402009238B6-0001 (the "Claim").

The Insurers are in receipt of the loss package dated September 24, 2021 (the "Loss Package"), which includes a signed Sworn Proof of Loss that contains an \$8,105,221.47 amount claimed. The Loss Package also contains a spreadsheet of incurred expenses, spreadsheet of exterior repair estimates, and Statement of Loss summary, which account for some alleged Hurricane Sally damages that were unknown to the Insurers, and not previously claimed by the Insured, until receipt of the Loss Package on September 24, 2021. For example, the Loss Package

appears to claim \$3,174,340 for repair/replacement of doors/windows; however, this is the first time any such claim has been made for doors/windows, more than a year after the date of loss.

At this time, the Insurers acknowledge receipt of the Sworn Proof of Loss, however the Insurers are not in agreement to the amount claimed therein based on the information known to date. That said, the Insurers are continuing their investigation into the supplemental claim and hereby request additional information from the Insured regarding the amount claimed in the Sworn Proof of Loss and the newly presented alleged damages at the Property.

Please be advised that nothing in this letter is intended to change or waive any of the terms and conditions of the Policy under which coverage is being reviewed. Further, the Insurers reserve any and all rights they may have under the Policy.

Additionally, the Insurers invoke their right under the Policy to take an Examination Under Oath (the "Examination") of the Insured's designated representative with the most knowledge concerning the following matters: (a) the nature of the Loss; (b) the Insured's claims for coverage under the Policy; (c) the Insured's interest in the Subject Property and the nature of the building; (d) the financial history of the Insured; (e) any present or past claims made to other insurers or any other entities that relate to the Loss, including, but not limited to, any litigation related to the Loss; (f) the discovery of the Loss, (g) the scope/amount of any damage from the Loss that the Insured believes might be covered under the Policy; (h) repairs or maintenance of the Subject Property; (i) leasing of the Subject Property; and (j) repairs to the Subject Property related to the Loss. Underwriters also request, per the terms of the Policy, the assistance and cooperation of the Insured's representative(s) with obtaining voluntary sworn statements from anyone who might have relevant and material information regarding the Loss. **Please contact our legal representative, Tanner Stewart, Esq. of Wood, Smith, Henning & Berman, LLP ("WSHB") in order to schedule your EUO within fourteen (14) days of the date of this letter.** Mr. Stewart's contact information is as follows:

TANNER W. STEWART, ESQ.
Florida Bar No. 1021186
WOOD, SMITH,
HENNING & BERMAN LLP
701 Brickell Avenue, Suite 1640
Miami, Florida 33131
Telephone: (786) 358-6420
Facsimile: (786) 358-6421

Insurers hereby request, pursuant to the terms of the Policy, that you produce the following information and documents (the "Documents") before the Examination Under Oath:

1. Any and all correspondence, email or other communication relating to the Loss or this Claim or any litigation related to the Loss.
2. Any and all photographs of the Property that depict damage from the claimed Loss.
3. Any and all documentation of any kind or nature relating to any actual or proposed repairs made to the Property as a result of the Loss or related to the Loss, including,

but not limited to, any receipts, contracts, invoices, work orders, proposals, estimates, work logs, pay stubs, or any other documentation.

4. Any and all documentation of any kind or nature relating to any actual or proposed repairs made to the Property as a result of the Loss including but not limited to any receipts, contracts, invoices, work orders, proposals, estimates, work logs, pay stubs, reports, or any other documentation.
5. Any and all documentation of any kind or nature relating to repairs made to the Property's roof prior to the date of the Loss, September 15, 2020, including, but not limited to, any receipts, contracts, invoices, work orders, proposals, estimates, work logs, pay stubs, or any other documentation.
6. Any and all documentation of any kind or nature relating to repairs made to the Property's windows & doors prior to the date of the Loss, September 15, 2020, including, but not limited to, any receipts, contracts, invoices, work orders, proposals, estimates, work logs, pay stubs, or any other documentation.
7. Any and all documentation of any kind or nature relating to repairs made to the Property's interior areas prior to the date of the Loss, including, but not limited to, any receipts, contracts, invoices, work orders, proposals, estimates, work logs, pay stubs, or any other documentation.
8. Any and all documentation of any kind or nature relating to repairs made to the Property's interior areas after the date of the Loss, including, but not limited to, any receipts, contracts, invoices, work orders, proposals, estimates, work logs, pay stubs, or any other documentation.
9. Any and all documents indicating or supporting the claimed amount of repair work required as a result of this Loss.
10. Any and all maintenance records of any kind or nature relating to maintenance performed on the property from September 2012 through the present.
11. Any and all documents including but not limited to expert reports, estimates, photographs, invoices, and bills associated with the subject insurance claim.
12. All documentation that support the alleged damages you are claiming in association with the subject insurance claim.
13. ServePro Disaster Recovery Team's entire file relating to the above loss, including but not limited to estimates, invoices, photographs, videos, timesheets, moisture reading reports, etc..
14. Any and all Board Meeting Minutes transcribed during Plaintiff's Board of Directors meetings taken within the time period of September 15, 2015 to present.

15. Any and all Condominium Association Bi-laws issued by the Plaintiff and in effect on the date of loss, September 15, 2020.

Insurers specifically reserve the right to supplement this request for documents at a later date. We request that you provide copies of the Documents (by email, fax, or mail) *at least ten (10) business days prior to the Examination*. If you are unable to provide the Documents in advance, please bring them to the Examination. If there is any expense involved in obtaining or copying any of the Documents, Insurers will reimburse you for the reasonable costs of production.

The Insurers take this opportunity to refer you to the terms and conditions of the Policy that apply to your claim. The Insurers specifically refer you to the provisions below, which are relevant now based upon the information provided to the Insurers. While the Insurers attempt to identify all of the potentially relevant Policy provisions, other provisions not cited here may become relevant as this investigation proceeds. The Policy provides in relevant part:

R. REQUIREMENTS IN CASE OF LOSS:

1. The **NAMED INSURED** shall:
 - a. Give immediate written notice of any loss or damage to the **INSURER**;
 - b. Promptly contact the applicable authority having jurisdiction in the event a law has been broken, and promptly file a written report with such authority;
 - c. Protect the property from further loss or damage;
 - d. Separate the damaged and undamaged personal property;
 - e. Maintain such property in the best possible order;
 - f. Furnish a complete inventory of the lost, destroyed, damaged, and undamaged property, showing in detail quantities, costs, actual cash value, and amount of loss claimed to the **INSURER**;
 - g. Furnish all other documents or insurance policies that may be reasonably required by the **INSURER**;
 - h. **Allow access and inspection of any of the damaged or undamaged COVERED PROPERTY by the INSURER;** and
 - i. All claims of loss due to **WINDSTORM OR HAIL**, including **NAMED STORM**, must be made within 2 years of the expiration date of this policy regardless of when loss or damage was discovered or the date of the **OCCURRENCE**.
2. The **NAMED INSURED, ADDITIONAL INSURED(S)**, and any officers, directors, or employees of the same, or any related members of the household and other shall:
 - a. Submit to examination under oath, as often as may be reasonably required, and while not in the presence of any other party or **NAMED INSURED** or **ADDITIONAL INSURED**. The **INSURER** may as often as may be reasonably required, request that you produce for examination all documents, photographs, computer records, writings, books or account, bills, invoices and other vouchers, or certified copies thereof if originals be lost, at such

reasonable time and place as may be designated by the **INSURER** or our representatives and shall permit extracts and copies thereof to be made. No such examination under oath or examination of books or documents, not any other act of ours or any of our employees or representatives in connection with the investigation of any loss hereunder, shall be deemed a waiver of any policy provision, condition or defense we might otherwise have with respect to any loss, but all such examinations and acts shall be deemed to have been made or done without prejudice to our liability.

- b. Within ninety (90) days after the loss, unless such time is extended in writing, the **NAMED INSURED** shall provide to the **INSURER** proof of loss, signed and sworn to by the **NAMED INSURED**, stating the knowledge and belief of the **NAMED INSURED** as to the following:

REQUEST FOR INFORMATION AND REINSPECTION

As discussed above, the Insured provided several documents for this claim that were not previously known or provided to the Insurers. More specifically, the Insured now appears to be claiming damages to the doors/window to various condominium units—which cannot be specifically delineated as Insured has not provided the supporting documentation. Additionally, these areas of the Property were not previously claimed and therefore not previously inspected by the Insurers' experts. As such, the Insurers request that the Insured make all claimed areas available for inspection to complete the adjustment of the claim. Additionally, the Insurer requests any and all documents in the Insured's possession that support the Insured's claim for the new alleged damages if not already provided.

The Insurers' window experts, engineer, and general contractor will contact the Insured's representatives to request dates of availability to schedule this inspection.

FULL RESERVATION OF RIGHTS

Based on the Policy provisions, including, but not limited to, those discussed above, the Insurers reserve all rights available to it under the Policy and applicable law. This includes, but is not limited to, the right to further investigate, deny coverage in part or whole, and/or seek a judicial determination in a declaratory judgment and/or rescission action. Further, by taking the EUO, Insurers do not intend to waive any of their rights. Insurers reserve the right to withdraw, amend, or revise this reservation of rights at any time. By the same token, Insurers' reservation of rights does not deprive the Insured of any rights they may have under the Policy or applicable law.

If you have any questions regarding this letter or wish to discuss this matter further, please contact the undersigned.

Regards,

Crystal Tower Condominium Association.
ROR / POL / EUO
October 9, 2021
Page 6



Thomas Caldwell | Account Manager
Sedgwick | **Delegated Authority**
Direct: 407.917.2181
OFFICE: 407-849-0044
12650 Ingenuity Drive Suite 200
Orlando, FL 32826
EMAIL Thomas.Caldwell@sedgwick.com
www.sedgwick.com/solutions/property | Caring counts®

Sedgwick is the Third-Party Claims Administrator for

Velocity Risk 



Please send all claim related documents to Thomas.Caldwell@sedgwick.com. Please ensure the claim number is also in subject line.

 sedgwick | delegated authority

Attachment 2

CRAVEN & PERRY, PLLC

ATTORNEYS AT LAW

VOICE: 251-968-8170

FAX: 251-968-4837

WWW.CRAVENPERRY.COM

ATTORNEYS:
DANIEL H. CRAVEN
JAMES LYNN PERRY*
HERBERT RICE, III
R. MICHAEL CONLEY, OF COUNSEL

* ALSO ADMITTED IN FLORIDA & MISSISSIPPI

MAILING ADDRESS:
P.O. DRAWER 4489
GULF SHORES, AL 36547

PHYSICAL ADDRESS:
140 COVE AVENUE
GULF SHORES, AL 36542

March 8, 2022

Via U.S. First-Class Mail & Email

Velocity Risk Underwriters
20 Burton Hills Blvd., Ste. 350
Nashville, TN 37215
business.claim@velocityrisk.com

Michael Walton
All Risks – Atlanta
3567 Parkway Lane
Peachtree Corners, GA 30092

Certain Underwriters Lloyds of London
c/o Asta Managing Agency
LTD Camomile Court
23 Camomile Street
London, UK EC 3A 7II

Tanner W. Stewart, Esq.
Richard M. Singer, Esq.
Wood, Smith, Henning & Berman, LLP
701 Brickell Avenue, Suite 1640
Miami, Florida 33131
tstewart@wshblaw.com
rsinger@wshblaw.com

Interstate Fire & Casualty Company
33 W. Monroe Street
Chicago, Illinois 60603

Thomas Caldwell, Account Manager
Sedgwick | Delegated Authority
12650 Ingenuity Drive, Suite 200
Orlando, Florida 32826
thomas.caldwell@sedgwick.com

Independent Specialty Insurance Company
1900 L. Don Dodson Drive
Bedford, Texas 76021

RE: Insured: Crystal Tower Condominium Association, Inc.
Loss Address: 1010 W. Beach Blvd., Gulf Shores, AL 36542
Date of Loss: 09/16/2020
Independent Specialty Insurance Co. Policy No.: VUX-CN-0002447-01
Interstate Fire & Casualty Co. Policy No.: VRX-CN-0002447-01
Certain Underwriters at Lloyds Policy No.: VPC-CN-0002447-01
Velocity Risk Underwriters Account No.: 2020-9002447-01
Claim No.: 402009238B6-0001

Dear Sirs:

As you may know, our law firm represents Crystal Tower Condominium Association, Inc. (the "Insured") in assisting in the submission of its pending claim(s) against Velocity Risk Underwriters, Certain Underwriter at Lloyds, Interstate Fire & Casualty Company, and Independent Specialty Insurance Company (collectively referred to as "Insurers") for damage to the Insured's property located at 1010 West Beach Boulevard, Gulf Shores, AL 36542, resulting from Hurricane Sally on, or around, September 16, 2020.

I. Sworn Proof of Loss.

Enclosed via the DropBox link below, please find an Amended Sworn Statement in Proof of Loss ("POL") for the Insured, Crystal Tower Condominium Association, Inc., for this claim, as well as Crystal Tower's Amended Statement of Loss. This POL in the amount of **\$8,253,956.22** represents the Insured's claim for damages to its property resulting from Hurricane Sally, and after application of the prior payments totaling \$1,851,827.49, the balance claimed comes to **\$6,402,128.73**. This POL is submitted for consideration and payment under insurance policies: VUX-CN-0002447-01, VRX-CN-0002447-01, and VPC-CN-0002447-01, issued by the Insurers. The Insured reserves the right to amend this Sworn Statement in Proof of Loss including, but not limited to, adding pricing to paint the Sky/Pedestrian Bridge.

In addition, please see within the DropBox files engineering reports and supporting documents from Thompson Engineering and Childress Engineering regarding Hurricane Sally damages to Crystal Tower.

DropBox Link:

https://www.dropbox.com/sh/7zi1uabtcu4rqdy/AACQoT87VltjJy2c7wCcnL_ta?dl=0

** This link expires in 30 days so please download any files you desire to retain. **

II. Request to Arbitrate.

Pursuant to the terms of the insurance policy, Crystal Tower Condominium Association, Inc. hereby requests arbitration, pursuant to the arbitration provision of the policy, to resolve the dispute between the parties, to the extent it cannot be amicably resolved.

In compliance with the arbitration provision, please contact us to discuss the selection of the arbitration panel.

III. Mediation.

In an effort to resolve this matter in its entirety before proceeding with arbitration, the Insured is willing to participate in an early mediation. Accordingly, within the next fourteen (14) days, please advise whether the Insurers are agreeable to scheduling mediation and staying the arbitration proceedings for a reasonable amount of time to complete the same.

IV. Request for Reports.

Please provide all engineering and/or consultant reports obtained by the Insurers or the Insurers' adjusters in regarding to this insurance claim for Crystal Tower Condominium Association, Inc.

Crystal Tower Condominium Association, Inc. does not intend by this letter, or any aspect of its cooperation, to waive any claims that it has against the Insurers, including claims not subject to arbitration per the insurance policy to be pursued in the Courts of Alabama. The Insured reserves the right to supplement, edit and revise its claim as necessary.

We look forward to hearing from you.

Sincerely yours,

J. Lynn Perry

JAMES LYNN PERRY

lynn@cravenperry.com

For the Firm

Attachment 3

Crystal Tower Assessment Payment		
CT Unit _____ Crystal Tower Condo PO Box 3813 Gulf Shores, AL 36547	Due Date	Amount Due
	1-May-22	\$2,500.00
	Amount Enclosed	\$
	After 15-May-22	Pay \$2,550.00

Crystal Tower Assessment Payment		
CT Unit _____ Crystal Tower Condo PO Box 3813 Gulf Shores, AL 36547	Due Date	Amount Due
	1-Jul-22	\$2,500.00
	Amount Enclosed	\$
	After 15-Jul-22	Pay \$2,550.00

If you prefer to pay the full amount, please use this coupon.

Crystal Tower Assessment Payment		
CT Unit _____ Crystal Tower Condo PO Box 3813 Gulf Shores, AL 36547	Due Date	Amount Due
	1-May-22	\$5,000.00
	Amount Enclosed	\$
	Full Assessment Payment	