

ABI Insurance | July 2021 Newsletter

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Getting Insurance Bids: Are they Apples to Apples?

When associations shop their insurance policies with other carriers, it's easy for an association to lose coverage and not realize it. It's easy to see that there could be a few hundred or thousands in savings, but is that because the coverage has also been reduced? Some of the differences in coverages we see are:

- **Building limits are decreasing:** Cost of construction and inflation are not decreasing, why is the building limit?
- **Earthquake Deductibles:** We are seeing associations that normally have 5% or 10% deductibles now getting quotes for 15% and higher. Understand that if the current deductible is 5% and the additional quote has 15%, the association and owners are taking on 3 times the responsibility. That could cost the association millions!
- **Building Ordinance:** As our buildings get older, code requirements change and increase the exposure for an association on what they are going to be required to upgrade at a loss. Reducing building ordinance coverage is not in the best interest of the association.
- **Retroactive Dates:** Switching Directors and Officers insurance to a new carrier can pose risk because some carriers include retroactive dates which limit the association being able to file D&O claims on the new policy. This could leave an association with no coverage and paying for a lawsuit out of pocket.

The best piece of advice I can tell associations is to make sure you are working with an agent that understands the complexity of community association insurance. We look to experts for all sorts of things such as medical care, legal assistance, and taxes; Insurance would be no different. The Board and owners are not going to remember the few thousand dollars saved on an insurance premium when a claim is not covered, and an association is paying tens of thousands to cover a loss or defend themselves in a lawsuit.



Owner's Burning Question

Q: Why does my renter need insurance if I carry the HO6 policy which covers the association's deductible?

A: The renter or tenant of a unit (including family members renting a unit) needs to purchase an HO4 policy which covers them in the event they are negligent for a claim. If a tenant is negligent for a claim, their liability coverage can kick in to reimburse the association and/or their carrier for the damage. They should also have coverage for their personal property and loss of use when the unit is uninhabitable. We recommend tenants have a minimum of \$300,000 in liability coverage.

Loss Prevention: Gutters

Checking and having gutters cleaned regularly is extremely important and can prevent future losses when heavy rains occur. I recommend associations not think about doing this task only in the fall but look to have them checked multiple times throughout the year if your association has a higher risk, such as having many trees throughout the community. A way to reduce this risk might be to have a cover over the gutter or mesh that prevents larger objects from even entering the gutter and causing a backup issue. Most often these claims are not covered under insurance policies due to exclusion. If maintained and cleaned regularly, the backup wouldn't occur and the gutter can drain the water as it was meant to. Look to implement gutter cleanings with your association.



Update of the Month: AC Units

It's HOT out there! Have you checked your AC unit to make sure it is functioning properly and to see if anything needs to be maintained? AC units do require maintenance and need to be inspected at least once a year. Things to pay attention to are the filters, condenser and coils, refrigerant levels, and the motor for signs of wear and tear. Call a professional if you need assistance.



Email:
saraeanni@abipdx.com



Contact:
(503)292-1580



Website:
www.abipdx.com

