



July 2022 Newsletter

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Changes in the Umbrella Market

Over the last month, the insurance market has seen drastic changes in availability and pricing of umbrella or excess liability coverage. This coverage, which offers additional liability coverage, extends over the association's general liability limit and sometimes over directors and officers insurance.

Recently, two of the largest umbrella carriers exited the market and no longer offer terms. The departure of these carriers has led to a surplus in demand for the few remaining markets and created a capacity issue. Many carriers are only able to offer smaller limits with increased premiums.

This market shift is a result of an increased number of nuclear verdicts. A nuclear verdict is an award of \$10 million or more. Industry professionals estimate these verdicts have increased by 150% in the last year. Insurance carriers have found these awards are not sustainable for the premium charged. In extreme cases, carriers either leave the market or increase the premium to justify the exposure.

Associations need to prepare for changes to their umbrella policy and in some cases, terms may not be offered at renewal. Insurance agents are faced with a shrinking umbrella market and need to approach the

remaining markets that offer umbrella terms. One way we see the market offsetting nuclear verdicts is by decreasing the liability limits a claimant can pursue. When a \$1 million or \$5 million limit is offered, this could help reset what claimants seek.



Examples of nuclear verdicts from community associations include:

- Children who fell through an icy monument pond – \$31 million awarded.
- A New York stockbroker who fell on snow and ice – \$50 million awarded.
- A woman who died in a carport after a tree fell during a windstorm – \$10 million awarded.
- A person who slipped and fell near a pool due to a younger employee improperly cleaning the area – \$15 million awarded.
- A person killed during a drug deal in a unit – \$15 million awarded.

Stay tuned for additional changes as the insurance market continues to adjust to this trend.

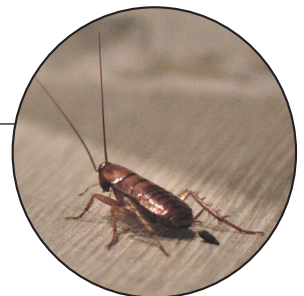
Update of the Month: Rodents and Pests

Those annoying insects and animals are starting to come back and make their way into our homes. If preventative measures occur quickly, we can stop our unwelcome visitors. It is often much harder to get rid of pests such as ants, spiders, beetles, etc., once they have established colonies in and around our home. Suggestions on how to mitigate unwanted guests include:

- Seal any holes or gaps around the foundation and siding.
- Know your enemy. Learn more about the pest by accessing credible information online or elsewhere.
- Inspect your home's exterior and interior and maintain your yard.

- Control moisture around your home.
- Properly dispose of food and waste. Ensure pet food is stored in closed containers.
- Keep home and garages clean and uncluttered.
- Contact a professional.

To minimize potential damage, take action sooner rather than later. If your efforts do not keep pests away, contact a professional to help tackle the problem.



Loss Prevention: Identifying Defects Before it is too Late



It is easy to think a newly built community would not have any maintenance problems. However, during the construction process corners can be cut which result in property damage or liability concerns.

We highly recommend all new construction properties invest in a building envelope inspection within a few years of the community turn over. These inspections can identify any building issues the community might face and may help prevent future claims. Typically, there is a time limit to identify defects and engage the responsible parties involved. In most cases that timeframe is a 10-year period. However, it is always best to discuss your situation with the association's attorney to fully understand the association's options.

The insurance policy has exclusions around faulty workmanship and products. Construction defect claims on an association's insurance policy can make future insurance placement difficult until all defects are addressed. Discuss filing a claim with the association's agent prior to an attorney filing a tender letter with the insurance carrier. Inspection reports may add cost to an association. However, if completed properly, these reports could save an association thousands or millions of dollars in the future.

An Owner's Burning Question

Question: My mortgage company did not ask me for proof of insurance. Should I be concerned?

Answer: Yes, this is a concern. Commonly, mortgage companies are satisfied with an association's insurance. However, owners need their own homeowner policy. The unit owner, including landlords, can be responsible for the association's deductible. For example, if a loss occurs and the association's deductible is \$10,000, an owner without a policy can still be responsible for the loss and may have to self-insure. Several different homeowner policies exist, understand which one you need:

- HO3 – covers homeowners in a single-family dwelling (not attached).
- HO4 – covers personal property, personal liability, and loss of use for renters or tenants.
- HO6 – for owners or landlords; covers the association's deductible, personal property, personal liability, loss of use/rents and loss assessment coverage.

If you have questions about the type of policy needed, contact your agent.



Q&A



We Want Your Input!

Have a question or want to see a specific topic highlighted in next month's newsletter?

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