



September 2023 Newsletter

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Good News, Bad News with Non-Renewals



Non-renewal Notices

First, the good news. Not all non-renewal notices mean bad news for a community association. Now, the bad news. Some non-renewal notices associations receive could negatively impact their upcoming insurance renewal process. A non-renewal is a legal notice sent by an insurance company notifying the client that the insurance company will not be offering terms when the policy expires. The notice provides protection to the insurance company. Once this notice is issued, the company is not required to offer terms after the policy expiration date or to modify the policy terms for the upcoming renewal. When applying for new insurance, all non-renewals should be disclosed to a future carrier with an explanation when asked on an application. (Most carriers include this question in their application.)

Non-renewal notices are sent for various reasons. Some reasons are understandable and other reasons could be driven by factors the insured controls. Common non-renewals that occur frequently but are less concerning include:

- Earthquake carriers who send non-renewals annually to modify offered coverages and terms. Most non-renewals by earthquake carriers are a formality and the carrier provides terms for the renewal.
- Insurance companies no longer write the business and have exited the market. Typically, this is acceptable for a future insurance carrier. In the last three years, our industry has seen multiple insurance carriers no longer continue business in various states.

- Eligibility changes can impact a community if an insurance company can no longer offer terms. For example, buildings over a certain height and construction type have become difficult to insure. Owners of large and tall framed buildings may find the buildings are no longer eligible. If the eligibility reason is life-safety driven, such as non-sprinklered buildings or horizontal railings, these features could impact future coverage in the standard market and could bring the same concerns to a new insurance carrier. Eligibility is changing for many carriers and the standard market may not always be available.

The most impactful non-renewal a community could receive is usually within the community's control. Some examples include:

- Unfavorable loss history. The community could have a claim pattern related to plumbing failures, systemic issues within all buildings, or a large loss. Insurance companies want to see the Board and owners take proactive measures to reduce the risk of future claim occurrences.
- Lack of response and loss control requirements are not completed. A community is greatly impacted by this because to a new carrier, this implies the Board is unwilling to mitigate risk.
- Cancellations for non-payment. This is unfavorable for any insured. The insurance company wants to know if they will be paid for the coverages they offer. Cancellations due to nonpayment can be reasons for a future insurance company not to provide terms.

The most important part to any non-renewal is that it must be disclosed to a future insurance carrier. Almost all insurance applications, no matter the coverage, ask about non-renewals in the last five years. Not disclosing information or answering the application incorrectly can be considered material misrepresentation and potentially cause coverage issues for the insured. Be transparent about any non-renewal and provide accurate information on all applications.

Loss Prevention: Underwriters Ask, What are Board's Doing to Prevent Claims?



When the insurance renewal deadline approaches for a community, we get asked by the insurance carrier, "What is the Association doing to prevent future claim damage?"

We receive a variety of answers, but the most common answer is the community is doing **nothing**. For an agent to effectively negotiate an insurance renewal for a community, it is helpful for an insurance carrier to know the specific actions taken by an association to reduce future claims. Actions we see communities take include:

- Increased communications and reminders to owners regarding unit maintenance, weather condition preparedness, and association rules and responsibilities. Consider a maintenance matrix for your community.*
- Plumbing inspection requirements in interior units to find active leaks that could become a larger claim. Boards are budgeting for inspections bi-annually or annually through the reserve study. Investing in unit inspections could prove to be less costly than the increased cost of insurance premiums from an unfavorable loss history.
- Enhanced service contracts with vendors for services such as snow removal, fire departments, and unarmed security patrol.
- Vetting processes for contractors for both unit owners and the Board to ensure proper insurance requirements are sufficiently met.

*For a maintenance matrix example see the article, [Claim Prevention: Maintenance Matrix](#) in ABI's May 2022 newsletter.

We Want Your Input!

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

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An Owner's Burning Question

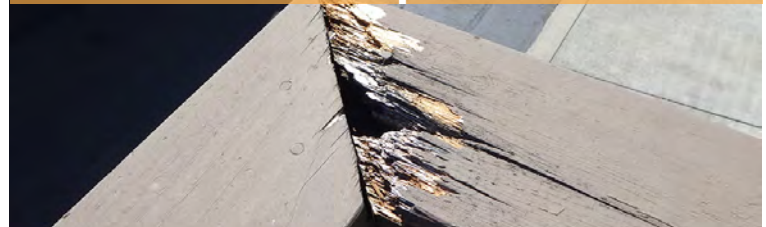
Question: Am I required to purchase earthquake insurance on my unit as an owner?

Answer: Unless your association's governing documents require earthquake insurance, it is only a strong recommendation for owners to purchase this insurance. Earthquake insurance offers protection against damage to a unit or to cover the unit owner's share of the association's earthquake deductible. A handful of insurance carriers in Oregon and Washington will endorse earthquake coverage on an HO6 policy. However, if coverage is not available, standalone policies can be purchased. Earthquake loss assessment coverage protects the owner for their share of the association's deductible and not all earthquake policies have this coverage.



Q&A

Update of the Month: Decks and Their Components



Decks and balconies within community associations, if not properly maintained, can cause water damage to a unit, and can impact a building's structural integrity. Lack of maintenance to decks and balconies, regardless of who is responsible, can lead to systemic issues among multiple buildings. If not addressed properly and in a timely manner, water damage can create a life-safety issue.

Decks or balconies with drains can be the culprit for water back up and seepage into the building envelope and interior of a unit. Claims where water is intruding into a building from the exterior can be denied depending on the factors and specific claim circumstances. If owners are responsible for their decks or balconies and there is concern of jeopardizing a building's structural integrity, we recommend discussing the issue with legal counsel and hiring reputable consultants and contractors to provide additional guidance.