



November 2022 Newsletter

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Times are Changing with Insurance Billing

Insurance payments arriving late to carriers has become an issue. We have seen a significant increase in notice of cancellations due to non-payment. An association can have many steps in their bill paying process and no matter how efficient the process may seem, the delays are a problem. Some associations turn to bill paying vendors. For example, companies which provide third-party electronic bill paying services for associations are not always accurate in their transactions. Mistakes can create more problems and delays. Some associations establish their own internal bill paying process. No matter how many checks and balances are used, lengthy mail delays may cause payments to be late. Insurance carriers are becoming less forgiving for premiums not received on time and when policies cancel, some refuse to reinstate coverage. This leaves an association without insurance coverage and scrambling for the next best option.

Insurance companies push associations to make online or electronic payments. Many insurance carriers give 20 to 30 days after the effective date to pay an insurance premium. When premiums are not paid on time, associations may receive late notices and even a notice of cancellation terminating coverage. When insurance carriers don't get paid for premiums and are exposed to paying for losses that occur during that policy period, they won't go too long without payment.

During COVID when there was a payment moratorium, consumers didn't have to pay their insurance premiums and carriers couldn't cancel for non-payment. Then when the 2020 wildfires hit Oregon, many insurance companies experienced losses. One carrier suffered a total loss of \$12 million in damages. They had not received a premium payment from the client in three months but paid the claim.

Now, insurance carriers are reinforcing deadlines after the leniency of the past couple years, and they are stricter about due dates. We don't want associations to go on cancellation notices for non-payment or lose their insurance coverage. Associations need to consider using electronic payment methods for making insurance premium payments. If an association cancelled for non-pay, this could create an issue with new carriers. New carriers may not want to offer terms to an account with a history of non-payment.

Many communities have shared that tracking an invoice payment can be difficult. We suggest at the beginning of every policy term to request the

installment schedule, know when each monthly payment is due, and the amount paid. If an invoice is misplaced or isn't received, the association can track down the information needed for payment from the installment schedule. ABI is working directly with carriers to help fine tune portals and processes, but the mail and other delays cannot be controlled. If an association has the cash flow to pay in full, this is always the best option.

Although every carrier has different systems and payment methods, the best way to pay premiums, if available, includes online (either EFT, ACH, or credit card) and pay-by-phone. Keep in mind bill pay options require checks to be mailed and these payments are subject to delays.

A transition to an online or electronic bill process might seem like a challenge, but in the long run, the efficiency will be worth it. Associations don't want to risk losing insurance coverage because of delayed payments.

Update of the Month: Gas Fireplaces



Gas fireplaces are a common secondary source of heat and should be inspected and cleaned annually. Soot and dust from logs can build up and need to be cleaned with a damp cloth to prevent scratches and damage. Other common maintenance includes vacuuming the area around the logs and cleaning the fireplace doors. Be careful when cleaning soot because it smears and can cause more damage.

If you use gas in your home, make sure you install working carbon monoxide detectors. Well maintained gas fireplaces often last 10-15 years before needing to be replaced. Once your gas fireplace is clean, grab a cup of cocoa, put your feet up, and enjoy the fire.

An Owner's Burning Question

Question: What is the difference between building (dwelling) coverage and loss assessment on my HO6 policy?

Answer: In shared wall communities, each unit owner including landlords, needs to have an HO6 policy. There are various coverages that will protect the owner for damages they are responsible for within the community. Two specific coverages an owner must carry together will protect the owner for damages to their unit or common area.

Building (dwelling): Coverage to reimburse for damages within a unit, or damages up to the association's deductible, in a covered loss.

Loss Assessment: Coverage to reimburse for damages to the association's common area, or damages up to the deductible, that all owners are responsible for collectively. Loss assessment coverage is not to cover any assessment that would normally be excluded by an insurance loss (maintenance driven assessments).

Many associations have misinformed owners that "loss assessment" coverage is what is needed to cover the association's deductible. However, the HO6 policy pays out based on what was damaged. If the unit was damaged, the deductible amount would be paid under the policy dwelling coverage. If the owner was assessed for only their share of common area damage, loss assessment coverage within their HO6 policy would be triggered.



Policy Provision: When do Claims Need to be Filed? Claims Reporting Provision

Did you know, in the event of a claim, both the owners affected by the damage and the association have their own obligations to file a claim in a timely manner. Within the insurance contract, it is the insured's obligation to notify the insurance carrier "promptly", so they can do their own investigation.

Policy Language Example

3. Duties In The Event Of Loss Or Damage

a. You must see that the following are done in the event of loss or damage to Covered Property:

- (1) Notify the police if a law may have been broken.
- (2) Give us prompt notice of the loss or damage. Include a description of the property involved.

Who and what are the obligations for each party in a claim?

Owner: Every owner who sustains damage (regardless of who is negligent) needs to notify the Board or manager immediately. The owner also needs reputable mitigation and reconstruction contractors involved in the process as soon as possible. An estimate of damages will help the Board determine if they need to file a claim on the association's policy. Each owner should reach out to their own HO6 agent for filing their own claim.

Board/Manager: Some communities have management companies. However, many of those monthly contracts don't include managing insurance claims. When a claim occurs in an association, it's important to define a point of contact for the claim. The point of contact would be responsible for gathering the loss details and damages, along with managing the communication between all parties involved. The best point of contact could be an association board member or a community manager. However, hiring a manager may have costs above and beyond the management contract. If damages appear to be higher than the association's deductible, the Board will need to decide if a claim should be filed. The Board has an obligation to ensure damages are not affecting others in the community.

Insurance Agent: Multiple agents could be involved. The owner needs to look to their HO6 agent to file a claim for their responsibility of the unit or association's deductible. The association should always ask their agent for guidance with the claim. Often claims are sidetracked because of a misunderstanding. If a Board does not file a claim in a timely manner, it may create costly delays.

Claims reporting is more important than ever because of the imbalance between estimated costs and what the insurance carrier is obligated to cover. Labor and material prices are also increasing drastically. This drives up damage estimates that insurance carriers don't always agree to. A claim filed late, does not allow the insurance company an opportunity to investigate and negotiate these costs. If the carrier and contractor can't come to an agreed cost, this puts owners and the association at risk for being over charged and having to pay the invoice out-of-pocket. Understanding the claims process and staying on top of it early helps reduce this risk.

We Want Your Input!

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

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