



August 2023 Newsletter

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Understanding the Insurance Market to Budget Accurately



Predicting stability in the insurance market has been difficult. Even the most tenured agents have not seen an insurance market like the one we are experiencing now. Insurance premiums are increasing at an all-time high, policy coverages are changing, and carriers have higher expectations for insured maintenance requirements. We hoped rate increases were going to level out. However, carriers tell us this may not happen for another year and most lines of coverage will see increases. Some association coverages are experiencing larger impacts to the overall premium than others. Examples of some of those specific coverages include:

- **Earthquake** – Reduced purchase capacity is making it difficult for insurers to find full limits with affordable premiums. In some cases,

earthquake premiums are increasing 30% and yet the coverage is reduced. Because earthquake coverage is not mandatory, Boards can review different coverage options and may choose a lower limit instead of a full limit.

- **Liability** – A rise in nuclear verdicts* and overall claims activity has caused premium increases and coverage changes with additional exclusions. Excess liability, also known as an umbrella policy, has seen higher increases and limited availability since the tragic Champlain Towers South collapse in 2021. In the past year, umbrella policy premiums increased about 20%. Communities with higher limits or higher risk activities continue to see larger premiums for liability insurance. These increases can be substantially higher than average.
- **Directors and Officers Liability** – Lawsuits are on the rise. This increases the risk carriers absorb as they defend associations for allegations of wrongdoing. A few reasons for these increased claims include breach of fiduciary responsibility, election disputes, and discrimination. Regardless of a settlement, defense costs to litigate these claims contribute to the financial impact the insurance carrier assumes. As legal costs increase, insurance carriers are taking on higher litigation costs to defend their insured.

* For more on nuclear verdicts, see the cover article, [Changes in the Umbrella Market](#) in ABI's July 2022 newsletter.

Update of the Month: Sewer Lines

When sewer lines fail, they can cause a lot of damage and replacing the lines can be inconvenient for many. The material used for sewer lines can factor into the product's lifespan. PVC and plastic piping may only last about 25 years. Other metals and cast-iron may last 50 to 100 years. The most common signs of a sewer line break are a septic smell nearby, frequent back up of drains in a home, and mold or mildew in the basement or crawlspace. Sewer breaks can be disruptive. Excavation efforts and accessibility to the break can impact repair time. Tree roots are a common reason sewer lines break and can force an association to take immediate action. Associations need to include sewer line replacement in the reserve study and save towards this infrastructure expense.



2023 Legislative Report

CAI's Oregon Legislative Action Committee advocates for community associations by monitoring bills and educating lawmakers in the Oregon Senate and House. CAI produced an *Oregon 2023 End of Session Report*. The table below shows the status of four bills from Oregon's 2023 legislative session. To read the full report visit: www.caionline.org/Advocacy/LAC/OR/Documents/OREOS2023.pdf

As a fellow LAC committee member, I encourage communities to support the organization and see how CAI can help your community.

2023 Oregon End of Legislative Session Bill Summary - Reported by Oregon LAC/CAI	
Bill and Status	Comments
HB 3395 – Relating to housing; and declaring an emergency. Status: Passed, effective immediately.	This bill opens up commercial zones for approved affordable residential development within urban growth boundaries.
HB 3294 – Relating to removal of discriminatory language from recorded instruments. Status: Passed, effective January 1, 2024.	This bill grants an extension until January 1, 2025 and streamlines the process for removing discriminatory language in recorded documents.
SB 82 – Relating to homeowner insurance for wildfire risk. Status: Passed, effective January 1, 2024.	Establishes new requirements of insurance carriers with underwriting and rating for wildfire risks within the state along with providing additional time for rebuilding after a wildfire loss.
SB 437 – Relating to producing food in planned communities. Status: Died in Senate.	The intent was to allow food production such as hen-keeping and beekeeping, along with other potential food production within HOA communities. This bill could likely be proposed again. If passed in the future, communities will need to understand the impact this bill could have for a community.



An Owner's Burning Question

Question: My mortgage lender needs proof of insurance from my association. How do I get this document?

Answer: Annually, mortgage companies require documented proof of insurance on a property of interest. It's great to establish a system with the association's insurance agent to request proof of current certificates and evidence of insurance. Learn the agent's certificate process to ensure the association's certificates stay up-to-date and satisfy a lender's files. Most agencies allow certificate requests to be placed through a website, email, or fax. Call the association's agent to understand their process.

Although a management company might have evidence of insurance for a community, it may not include the lender's name and property address which is required information. Reach out to your association's lender to see how they can help and ask if they can establish an annual process to request certificates of insurance from agents.

Q&A

Join the party!

Friday,
September
8

Pearl Party

Friday, September 8th, 2023
NW 13th Ave at Hoyt Street 5-8:30pm
Neighborhood Association Annual Fundraiser

Food
Music
Community
Celebration
Beer
Wine

Join us for the neighborhood event of the year!
pearldistrict.org

We Want Your Input!

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

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association-news@abipdx.com

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