



5 THINGS TO IMMEDIATELY DO IN THIS CRAZY FIRE INSURANCE MARKET



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EVERYTHING YOU WANT TO KNOW ABOUT THE CURRENT FIRE INSURANCE MARKET BUT ARE TOO EMBARRASSED TO ASK.

The current insurance market in California is making it difficult for communities across the state to secure the proper coverage at an affordable rate: why? What the heck is going on? Let's break this down into sections to better understand why.

Claims

As condominiums and homes become older, they are more susceptible to having claims. The cost to repair/replace insured items is higher making payouts large. Carriers are paying out more than they are taking in.

Construction Costs

The cost per square foot for communities has gone up considerably especially in this last year; labor mixed with

the cost of materials is accounting for this increase. When working with your agent please be sure you are insured to value. It is understandable that boards want to lower costs where possible but scrimping on coverage isn't something that should be done. Under insuring associations to help mitigate cost is actually more detrimental and can lead to increased liability to the association and management.

Reinsurance

What in the world is reinsurance? Well in a nutshell it is insurance for insurance companies. Insurance companies transfer portions of their risk to these reinsurers after a certain limit is reached; this additional coverage is costing the insurance companies more, so they are in turn passing the cost to the consumer.



Loss Control

Now more than ever carriers are becoming more and more mindful of common-area hazards within communities. Loss control inspectors are visiting properties and assessing any potential hazards in the common areas. It is important if you receive a report with recommendations that you complete them to avoid/minimize increases in premium, or worse the potential for being non-renewed for non-compliance.

Wildfire

There were 59,000 wildfires in the US last year that burned over 7 million acres of land. The combined insurance payout in the last 5 years due to wildfires in California equates to the amount of two Northridge Earthquakes, according to the National Interagency Fire Center. It is statistics like these that make insurance more expensive, and many preferred carriers are non-renewing HOA's. This is making the cost to insure prohibitive and finding carriers to take on the risk is challenging. These non-standard, excess, and surplus-line carriers are offering a fraction of the coverage at an extremely high price.

How to lessen the blow for HOA's

Now that we have discussed the reasons for the increase in premiums, what can the association do to help lessen the insurance blow?

First, Deductibles. There are higher deductible options to consider. The higher the deductible the lower the premium will be. In addition, have a deductible protocol in place - this helps to determine who is responsible for the deductible in the event of a loss. Make sure that any resolution that is adopted is done so with legal counsel as there should not be a conflict between the protocol and the governing documents.

Newsletters are a great tool to communicate responsibilities to homeowners. Gently remind them of the importance of maintaining items as this will extend the life of the component but can also prevent losses that can be costly to the homeowners

and the association. It is also a great way to educate members on the importance of an HO-6 policy.

Common area maintenance. If you, the manager receives a loss control report with recommendations, complete them. Complying with loss control recommendations demonstrates that the board is active in maintaining the property, which looks great to a carrier.

Keep up with brush clearance. This will definitely help in the event of a wildfire loss. It is also important to work with the local fire department to have an emergency plan in place in the event the association members are evacuated.

Communication. Make sure the association is actively communicating with membership the importance of carrying an HO6 or personal insurance policy. Now more than ever it is important that ALL homeowners carry the necessary insurance. Homeowners do not want to get stuck paying high deductibles or assume that the master policy will cover everything because it does not.

If you are one of the communities in a high fire area, it is recommended that you work with your insurance agent and counsel to communicate any changes to the policy that may impact membership, as they will likely need to adjust their personal coverage.

Make sure you work with an insurance professional that understands the nature of homeowner's associations specifically, they too will help make recommendations based on the needs of your community.



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