Some Things To Consider Before Buying Insurance

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Insurance coverage for co-op and condominium associations is one area that often gets less attention than needed when it is time for the annual review and renewal. Too often, the coverage is renewed with the focus on reducing costs and too little thought to improving coverages.

As with many expenses, the actual costs are determined in large part by actions over which the owners have no control. Insurance markets are cyclical, and while over the last seven years most have been enjoying premium reductions, we have now entered a hard insurance market. Non-coastal risks, though less affected, can still expect premium increases from 5-10% while coastal locations can see increases ranging from 10% to as high as 40%, and that's with good loss experience.

Below we have compiled some practical insurance buying tips that you can use:

- Start the renewal process early, at least four months in advance of your renewal.
- You and the property manager know the buildings and the risks faced better than anyone. Think of all the ways your properties can be disrupted and incur additional expenses. Make this list.
- If you are not 100% sure of the quality of your insurance advisor or broker get recommendations from boards of other buildings. Work with brokers and consultants who specialize in co-op and condo properties. The broker will become your trusted advisor so pick carefully and consider knowledge, their service ability and their carrier relationships. All too often, the property manager and board see the broker once a year at the annual renewal time to discuss issues affecting the property. It is helpful to develop a relationship with the broker where you meet with them periodically to review the exposures you have and how your policy would or would not respond.
- No matter how solid your relationship is with your insurance provider, we recommend that you engage a third party to "check" your program at least once every three years. There may be significant gaps in your insurance program and you may not be utilizing the optimal risk transfer structure for your operations. Reviews can be confidential.
- Decide on the coverages to pursue, and get a rough budget from the broker. You'll get a great education from most brokers on how it all works and what you need.
- It makes sense to have an attorney with knowledge of insurance policies go over the policy and to see if they have any recommendations. They will work with the broker' on the contract language and will make certain you have the best available terms. They will also make sure the t's are crossed and the i's are dotted. Too many claims have been denied due to technical errors. Don't let it happen to you.
- The common insurance coverages purchased are: General Liability, Excess Liability, Property, Workers Compensation, Disability, Crime, Directors & Officers, and Employment Practices Liability. What's often missed entirely are Pollution Liability, Cyber Liability, and Flood coverages.
- Many property managers consolidate the coverages for the properties they manage. In many cases this saves money, but buildings have to be careful that the polices are customized for the individual buildings and not just generic to cover all. Another issue is that heavy losses at one building can cause the premiums to increase in others covered under the same program.
- Have your broker shop the insurance every few years to make sure that you still have the best product. Don't buy only price. It's not like buying a car to get you from A to B, and you can choose a Toyota over a Lexus with the same body, this is like buying a harness and hoping that it will hold you and not let you fall when an accident occurs.
- Consider different program structures, such as loss sensitive programs and programs with higher deductibles.
- Stay focused on controlling losses. Your premiums ultimately reflect the expected losses plus carrier expenses and profit. If you have any frequency, review the loss runs periodically. For every claim, see what could have been done to prevent it and consider investing in the solution, whatever it may be. Document everything! Explaining the losses and what you did to mitigate them is music for the underwriter's files.
- Check the building's polices and leases to be certain they require individual shareholders, unit-owners or renters to have sufficient coverage should they cause a loss. This helps prevent costly and nasty lawsuits and exposure by the building.

Remember, insurance comes into play at a time of loss. Don't be shortsighted and ignore possible consequences until it is too late. Careful insurance planning can avert significant dollar losses and hours of additional work.

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