

SENTRY MANAGEMENT INC.



## Important Information About Insurance Premiums and Your Community

Sentry Management wants to ensure that all Board members are aware of potential insurance premium increases for the upcoming year. These increases are mainly due to the large number of natural disasters the country has recently experienced, including wildfires, hurricanes, tornadoes, and other severe storms. Covid-19 related claims and skyrocketing litigation are also lending to these increases. Even recent weather events, such as Hurricanes Irma and Matthew, cause the current rates to increase due to the uncertainty over the final tally from related claims.

Association policies in one region of the country can be affected by increasing natural disaster claims in another area. Across the country, associations can expect to see increases in the range of 12-15% or more- even those associations without a claim history. Experts predict that smaller HOAs with annual premiums of \$10k or less will not feel the increase as heavily as large HOAs and condos with higher premiums.

Sentry Management advises that before an Association adopts a fiscal 2021 budget, it should review all policies with its agent and request precise rate increase information. Boards should **not** adopt a standard increase of 3% for insurance premiums, as this may not be enough. Furthermore, Association Boards should be wary of agents recommending changes in coverage or deductibles to keep premiums lower, as this may have adverse effects in the event of a claim. Agents who specialize in HOA/Condo Insurance can provide better policy recommendations without additional costs to the Association.

The Association Board should also consider a Workers Compensation policy, which will cover volunteers and protect the Association if a vendor has a gap in its Workers Comp coverage. The Association's Workers Comp policy is not a substitute for a vendor having its own policy, and an Association should not consider using any uninsured vendor.

Lastly, a Board should strongly consider a Crime & Fidelity policy, which covers the Association if funds are stolen or embezzled. This coverage should be at least equal to the current amount of reserves plus three months operating funds. As reserve funding increases, the Board should review this coverage annually.

On the next page, you will find a handout, prepared by Sentry Management, for your Board. Sentry also presented a webinar in conjunction with Phil Masi, with Assured Partners Insurance, who discusses these issues in further depth. If you would like to watch the webinar, please click [here](#). Your Sentry Manager is ready to assist your Board, as well.

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The potential for increasing premiums, and pressure to adjust coverage, requires more diligence as part of the 2021 budget planning. A review of the insurance is necessary as the Board considers the needs of the association in the new budget year. Some things to consider when it comes to insurance:

**Rising Premiums** - Associations across the country can expect to see increases of 15% or more. Even associations without a history of claims can expect to see upward adjustments due to the following:

- Natural disasters — hurricanes, wildfires, tornados, hail events, and more
- Skyrocketing litigation and umbrella fees
- Industry-wide challenges — Like those encountered as a result of COVID-19

*Property/Casualty insurance is known as a 'macro cost' that is passed on to everyone regardless of region or claim history.*

**CAUTION** - if the association's agent recommends a change in coverage or deductibles, be careful. While these changes help keep premiums low they can result in adverse effects in the event of a claim.

#### RECOMMENDED BUDGET INCREASES

Never use a flat or standard increase of 3%; instead, speak with the association's agent for more precise figures.

#### CHOOSE AN AGENT WHO SPECIALIZES IN HOA/CONDO INSURANCE

These agents will ensure the associations cover all bases, PLUS—using a specialist doesn't cost any more than one who doesn't!

#### WORKER'S COMPENSATION (WC) POLICY

The association should have this coverage in place as it covers volunteers and any gaps in a vendor's WC policy. However, this policy is not a substitute for vendors having their own! It is not a blanket policy covering uninsured vendors.

#### CRIME/FIDELITY POLICY

This policy should be reviewed annually. The coverage amounts, at a minimum, should equal the balance in reserves plus three months of operating funds. Unless reserve funds are spent, this policy coverage increases year-to-year.



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