



# COMMUNITY BUILDER

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## Understanding Rising Insurance Rates for Homeowners Associations and Condominiums, and What Can Be Done About It

As association and condominium boards prepare to purchase their annual insurance coverage, many feel the impact of rising insurance rates. General Liability, Property, and Directors and Officers (D&O) insurance, which are all essential for protecting community associations against potential risks and liabilities, have become increasingly expensive in recent years. This article aims to shed light on the factors driving the surge in insurance rates and provide practical solutions for associations to mitigate the impact.

### The Rising Insurance Landscape

Insurance professionals and community leaders face a challenging environment with several factors contributing to increased insurance rates and tightening underwriting standards for community associations. One of the primary reasons is the rising frequency and severity of claims. Catastrophic events such as hurricanes, wildfires, and flooding have caused significant property damage and resulted in substantial insurance payouts. Additionally, the increasing litigious culture in the U.S. has led to a surge in lawsuits and claims, resulting in higher insurance premiums.

### The Impact on Budgets

As insurance rates soar, associations of all types feel the financial strain. Many associations operate on tight budgets, and insurance premiums are a significant expense that can quickly outpace assessment revenue. Rising insurance costs can result in increased assessments, reduced budgets for essential maintenance and repairs, or even special assessments, which burden owners and affect property values. Some associations may also face challenges in obtaining coverage, particularly if they have a history of claims or are located in high-risk areas.

### What Can Be Done?

While rising insurance rates may seem daunting, there are proactive steps that boards and Community Managers can take to manage the impact, prepare for premium increases, and help ensure their communities' financial success.

1. **Risk Management:** Implementing risk management practices can reduce the frequency and severity of claims, which may lead to lower insurance premiums

over time. Conducting regular property inspections and addressing potential hazards can minimize the risk of accidents or incidents that could result in insurance claims.

2. **Review Coverage and Deductibles:** Association leaders must regularly review their insurance coverage and deductibles. Working with an experienced insurance broker can help identify each association's unique risks and ensure that the coverage is adequately tailored to the association's needs. Note: Increasing a deductible can result in lower premiums; however, associations should carefully assess their financial ability to pay higher deductibles in the event of a claim.
3. **Increase Deductible Reserves:** Setting aside restricted funding specifically for insurance deductibles can be a strategic approach to managing insurance costs. By having sufficient funds set aside, associations can pay higher deductibles in the event of a claim, which may result in lower insurance premiums.
4. **Explore the Marketplace:** Working with insurance brokers who specialize in community association insurance and have access to a broad range of carriers is essential. If your association faces a substantial increase or change to your coverage, consider engaging your current agent or broker to explore coverage options and premiums from different insurance providers.
5. **Promote a Safe Community:** Encouraging owners, tenants, and guests to adhere to safety guidelines, such as maintaining units/limited common elements in good condition, following community rules, and practicing responsible behavior, can help prevent accidents or incidents that could result in claims. Educating homeowners about the importance of insurance and risk management can also foster a culture of safety within the community.
6. **Consider Loss Control Measures:** Installing security cameras, improving lighting, or upgrading access control systems, can reduce the risk of property damage and liability claims. Insurance carriers may even offer premium discounts for associations that have implemented such measures, as they can reduce the frequency and severity of claims.
7. **Examine Risk Transfer Strategies:** Associations may work with qualified insurance partners to consider risk transfer strategies such as additional insured status, contractual indemnity agreements, and waivers of subrogation in contracts with vendors. These strategies can transfer some risks and potential liabilities to third parties.
8. **Engage the Membership:** Finally, the board should communicate with unit owners and residents about rising insurance costs and the steps being taken to address them. This can help manage expectations and build community support for necessary changes or adjustments to policy coverages or assessments.

Sentry Management has partnered with the nation's leading association insurance brokers and Sentry Insurance Agency to provide an innovative insurance program that streamlines the insurance bid process for its associations and boards. "**Insured-By**" is an industry-specific insurance program intended to enhance coverage and offer discounted premiums for Sentry Management's associations. By leveraging the purchasing power of thousands of associations nationwide, Insured-By packages offer comprehensive and complementing insurance policies specifically designed for community associations and backed by the strength of best-in-class insurance carriers. If you or your board are considering alternatives to your association's current insurance needs, please take a moment to complete the "Contact Us" webform at the following link: <https://www.insured-by.com/contact-us>

**Note:** Sentry Insurance Agency matches associations to preferred Brokers who are licensed as property and casualty insurance brokers in Florida (and other states) and is compensated for its services by a licensed broker (not by the association). Sentry Insurance Agency does not market, sell, issue, or service insurance policies and is not responsible for the insurance an association purchases.

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