

## Underwriting Eligibility Guidelines That Impact Associations



Insurance premiums are extremely volatile, and the financial strain is acutely felt by community associations, especially when faced with a non-renewal and only high-risk insurance options. This situation can be financially detrimental to an association. Therefore, I highly recommend that communities proactively address issues that may prevent them from being eligible for preferred insurance options.

Insurance companies assess the risks they insure and determine eligibility based on various factors. While claims history is one component, several other underwriting eligibility guidelines often contribute to an association not receiving preferred insurance options:

- **Galvanized Piping:** These pipes are prone to corrosion and breakdown, leading to water damage claims. As a result, they are no longer eligible in most insurance markets.
- **Stab-Lok Panels:** Federal Pacific is a brand of Stab-Lok panels known for failure and fire risk, creating a life safety hazard. They must be replaced immediately if present.
- **Aluminum Wiring:** Buildings with aluminum wiring, including pig tailing, are ineligible. This type of wiring is known to overheat and cause fires.
- **Roofs Older than 20 Years Without Inspections:** Even if a roof has a longer warranty, insurance companies expect annual inspections for roofs over 20 years old. Delaying roof replacements can become problematic for an insurance carrier.

- **Age of Building/Lack of Updates:** Buildings over 25 years old are scrutinized for updates to plumbing, heating, wiring, and roofing.
- **Fire Sprinklers (Including Deficiencies):** Sprinkler systems are critical for eligibility in larger buildings. Older and large buildings, regardless of construction type, often face eligibility challenges.
- **Horizontal Railings:** Horizontal railings create a climbing hazard, exposing the association to liability. Fortunately, there are quick and inexpensive solutions outside of reconstructing the design.
- **Brush Exposure:** Wildfire exposure is increasingly affecting insurability. Communities should consider obtaining Firewise certification to mitigate this risk.
- **Wood Shake Siding/Roofs:** Wood shake materials increase fire risk. In regions where this material is common, associations should explore fire-retardant alternatives and consider installing firewalls.
- **Large Wood Frame Buildings:** Buildings constructed of wood framing and valued at over \$3-5 million may find it challenging to qualify for preferred insurance options.

Many of these eligibility requirements are becoming standard for higher-risk carriers. Regardless of whether these components fall within unit owner responsibility or common areas, insurance companies expect these updates to be completed. This expectation can put pressure on associations to act as a community and plan these necessary upgrades. I urge associations to not wait until they see a non-renewal and forced to pay higher premiums while solving the eligibility problem. The time is now.



### Owners Curious Questions:

**Can you explain the difference between the homeowner's policy and renters' policy?**

**A:** An owner's policy will cover property insurance on the unit or for the association's deductible however a renter's policy does not have this coverage. If the tenant was negligent in the cause of a claim, the liability policy may pay for the damage. Property coverage on a renter's policy is for the tenant's personal property inside the unit. The main property types we see in associations are:

**HO3:** Special Form Single Dwellings Homes

**HO4:** Renter's (tenants)

**HO5:** Comprehensive Form Single Dwelling homes

**HO6:** Shared wall townhome/condo style

Recommendation for landlords is to require tenants to list the association as another interest on their HO4 policy. The association has an insurable interest in property damage occurring and can subrogate when a tenant is liable.

# Navigating Eligibility: Commercial Occupant Operations

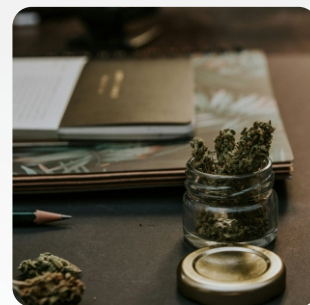
Associations with commercial occupancies face additional risks that can significantly impact their insurance coverage. The nature of the businesses operating within these commercial spaces can influence the types of insurance the association is eligible to obtain. It's crucial for associations to consider these factors and take proactive steps to protect their interests.

To mitigate risk, associations should require commercial tenants to include the association as an additional insured on their insurance policies. This contractual requirement ensures that the association's interests are protected in the event of a claim.

Here are some types of commercial occupants that can pose challenges for community associations:

- **Cannabis Dispensaries:** Any businesses involved in marijuana operations.
- **Medical Clinics and Facilities:** Facilities with high foot traffic or on-site surgical procedures.
- **Bars and Certain Restaurants:** Establishments with alcohol exposure or those that use deep frying.
- **Hazardous/High-Risk Materials:** Businesses handling chemicals or other hazardous materials, including paper and recycling facilities.
- **Daycare Facilities (Including Senior Care):** Operations providing childcare or senior care services.
- **Schools and Educational Facilities:** Institutions providing education.

While it may not have been a priority in the past, it's increasingly important for association boards to consider the types of businesses occupying their commercial units. Given the evolving insurance market, managing these risks is essential for the overall protection of the community association.



## Update of the Month:

# Garbage Disposals

Replacing your garbage disposal before it reaches the end of its lifespan is a prudent step to minimize risk and prevent potential claims. Aging garbage disposals are more likely to malfunction, leading to leaks, jams, and even plumbing damage, which can result in costly repairs and insurance claims. Water damage from a leaking disposal can spread quickly, affecting cabinets, flooring, and even the structure of your home, potentially leading to significant insurance claims that could impact your premiums. Additionally, older disposals are prone to inefficient operation, which can cause blockages in your plumbing system, increasing the likelihood of a claim for water damage or sewer backup. With garbage disposals typically having a lifespan of 8-15 years depending on the model, proactively replacing yours is great maintenance etiquette!

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## Upcoming Events To Attend

August  
22



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EVENT  
Insurance & Maintenance  
Planning

September  
22



WESTERN OR - LAW  
DAY  
Homeowner Leader Law  
Tradeshow

September  
26



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