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Many times Condo Association and HOA Boards pay more than necessary on insurance premiums (the Master Policy) due to unnecessary coverage, mistakes on the appraisal and/or errors in the application. Though the Insurance Agent and Property Manager are there to administer and guide, it is important for the Board to be on top of what they are paying for and have the ability to look over the documents.

Red flags on Property & Liability Insurance for Condominium Association Boards:

â€¢ Low Ball Appraisals: An insurance agent shows up at the association with an appraiser explaining they can save the Condo Association/HOA money by lowering the appraisal. Since the Florida Real Estate crash, there is a misconception that insurance premiums should go down. The insurance provides money to rebuild the damaged asset; the current real estate value is not relevant. Floridian homeowners current anomaly is it cost more to rebuild than to buy. Iâ€™ve seen property valued at \$20M o rebuild one year and appraised at \$12M the next. An insurance replacement cost appraisal should not fluctuate more than 10% a year without a detailed explanation from the appraiser. Iâ€™ve seen this happen when real estate appraisers become insurance appraisers and â€˜low ballâ€™ the value in the formulas. Consequence: If there is a fire, the Association will be paid 60% of the \$20M to rebuild because that is what they asked to be insured for. The â€œemotionsâ€• of the real estate market are irrelevant when it comes to rebuilding.. In the case, the Association the Board was in violation of their fiduciary and statutory obligation per their docs to have â€œadequate insurance.â€• Citizens Property Insurance also noticed the issue with this particular Association and rejected the appraisal; Citizens did their own appraisal and sent the Condo Board additional premium notice due within 30 days.

â€¢ Incorrect Appraisals: Incorrect square footage, wrong construction type, missing buildings/items is mistakes can cost the association dearly whether it is in the premium or complicates a claim. A small numerical error could impact the entire policy. It is important to compare the prior appraisal to the new one to check for abnormal increases/decreases and factual errors. In one audit I discovered premium jump from \$200K to \$500K in a five year period because the new appraisal values continued to unrealistically inflate. There is also human error where building values differ in the appraisals than the policies, definite red flag here! Request the insurance agent show the board appraisal values and the values used on the policies. If itâ€™s not on the appraisal, itâ€™s not covered.

â€¢ Avoid Drive-by Renewals. The insurance applications are signed by one of the officers (President, Treasurer) outside of a board meeting without a discussion recorded by minutes. The agent presents a proposal renewal a 2 weeks before renewal. The Board signs renewals without reviewing the policies with their insurance agent and/or cannot get calls back when they have questions. Suggestion: Find out when the Property policy expires. Put the insurance renewal on the agenda 4 months prior to the renewal date and discuss the insurance (decide if you want to renew with the current agent or start an interview process for a new one).

â€¢ Hiring a Public Adjuster before Consulting with your Agent. There are many good reasons to hire a public adjuster, but do not sign a contract with one until you speak with your Insurance Agent and understand the possible extra costs to the community as the same service is provided for free by the Insurance Company. Read more detail on when to hire a public adjuster.

Finally, open communication between Board Members, Community Managers and the Insurance agent is imperative. Trust that you work with, but always oversee the documents you sign!

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