



ALAN BLADES

# Controlling Risks and Eliminating Hazards

## The battle to lower insurance premiums and deductibles

**O**n any given evening, board members of AOAOs, AOUOs and HOAs gather in conference rooms, community centers and coffee shops around the Islands for their annual budget meetings. Everyone is feeling frustrated, helpless and a bit overwhelmed because the property manager has once again suggested that the association raise the maintenance fees for a third year in a row.

This time, the property manager is suggesting a 30% increase. The question on everyone's mind is, "Why?" Why are maintenance fees increasing again?

The answer: To cover the ever-increasing cost of insurance premiums.

Which only leads to another question: Why are insurance rates continuing to rise and at such an alarming pace?

Ultimately, insurance rates are rising because the world, as we know it, is changing. Climate change is causing natural disasters worldwide. Here in the U.S., there have been unprecedented floods on one side of the country and historic drought conditions on the other. Hurricanes battered the East Coast, while freezing temperatures brought Texas to a standstill. In 2021, according to the Munich Reinsurance Company of Germany (established in 1880), worldwide losses from natural disasters totaled \$280 billion dollars, roughly \$120 billion of which were insurance losses. Next came the COVID-19-driven inflation increase, the highest increase since 1981, reaching a high of 9.1%. Businesses lost employees, the cost of building materials rose significantly, disruptions occurred in the supply chain and labor costs increased.

In due time, inflation will drop and prices may return to normal; however, climatologists in every state across the

nation and the world all agree that weather patterns we are seeing now are expected to only get worse in the years to come. We can expect more floods, larger fires, and stronger and more frequent hurricanes. So, how can we battle the high cost of insurance if insurers themselves keep facing such losses caused by natural disasters that are beyond their control? We must begin to control the things that can be controlled, which are safety and risks hazards in our communities.

Even as you read this article, the insurance world is evolving. Smaller companies are exiting the industry, leaving the larger ones to absorb the risks. Which means these larger companies will become more selective when writing policies, insuring only newer buildings and associations with a low or no claim-filing history.

Insurance is a business. Insurers are investors, underwriters are appraisers and your association is an "investment." How can you make your association a more attractive investment to the underwriter?

Every association, be it a high-rise vertical build, townhome, detached single family unit, or even a commercial structure under a CPR, should appoint a "safety and risk person" whose primary job is looking for, identifying and resolving safety and risk concerns—no matter how small:

- Slips, Trips, and Falls: Inspect common and limited common area walkways and stairs, both in and around the building or community. If someone can

walk on it, sit on it or even drive across it, it has to be safe and risk-free. Something as simple as a "bump" in the lobby rug could end up as a claim if someone trips over it, falls and breaks their wrist.

- Water systems: Check all plumbing piping, drains and lines that can be checked without cutting into the walls. Get the homeowners involved; offer to check their systems, water lines, p-traps, wax rings and water control valves.

Underwriters are looking at the "total" number of claims filed by an association, the age of the building and the safety of the grounds. As an association manager, board member or even homeowner, you can control the safety and risk hazards in your home and community, and you can control the number of claims your associations files in a year. This is the only way we can battle the ever-increasing cost of insurance.

Identify the risk before it becomes a hazard and eliminate the hazard before it becomes a claim. ❖

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