



## NEWS OF VALUE

### BUYING INSURANCE FOR COMMUNITY ASSOCIATIONS: TERMS TO KNOW

The good news is that the current insurance market is continuing the transition to more buyer-friendly conditions. One of the biggest challenges for community associations, however, remains the lack of market alternatives. A limited number of insurance companies are writing community association insurance, and those that do are requiring a significant amount of information to underwrite multi-family residential exposures, especially for older buildings.

In this environment, it is more important than ever for community association board members and managers to be familiar with all aspects of their buildings and property and to know the status of all maintenance projects. When shopping for new insurance, or when updating a current insurance portfolio, insurance company underwriters will look for specific information in several areas. Providing positive, pro-active maintenance and repair information to the underwriter will help to present the association in the best possible light and make the association more attractive to them from an exposure standpoint. A few of the most common areas being reviewed by underwriters are listed below.

#### Aging Buildings

Aging buildings affect the ability of the community to obtain and retain quality insurance coverage at a competitive price. If a community association is more than 20 years old, insurance carriers will ask for proof of all major upgrades, such as roof replacements, HVAC and plumbing upgrades, and fire and safety improvements. Also, carriers will want to see a written maintenance plan that covers all aspects of the community common elements and adequate reserves to keep up with the required maintenance and replacement of the building's major components.

#### Aluminum Wiring

It is estimated that two million homes were built with aluminum wire between 1965 and 1973. A failure in the aluminum wiring connections can lead to dangerous overheating and fire, which can spread within the walls of a community association before being detected. If a community association has aluminum wiring, insurance carriers are looking for repairs to have been made to the electrical system such as "pigtail," or disconnecting the aluminum conductor from receptacles, switches, and cable connections inside the residential units, and joining it to a short length of copper conductor, and completing the assembly by means of an aluminum/copper type wire connection. Pigtail is the least expensive, but most labor intensive, repair method dealing with aluminum wiring. More information on aluminum wiring and methods for repair can be found at the Hartford Insurance Company's loss control website at [www.thehartford.com/corporate/losscontrol](http://www.thehartford.com/corporate/losscontrol).

#### Annunciator Panel

Annunciator panels disclose the layout and the status of building systems, such as fire alarm, security, and computer systems. Annunciators may come in any combination of visual signals or audio alarms and are intended to outline fire alarm zones for emergency responders. Insurance carriers are looking for high-rise and mid-rise buildings to have these at a centrally located area that is accessible to first responders.

#### Central Station Alarm System

In a central station alarm system, remote detection devices installed in a community association automatically transmit alarm signals to a central office. This central office can be on-site or off-site. The system is monitored either on-site by association personnel or off-site by a contract company. Signals are recorded, and appropriate action—such as referring signals to the police or fire authorities—is taken. Insurance carriers will want to know if a community association has a central station alarm system and where it is located.

*(continued on back page)*

### Polybutylene Piping

Polybutylene is a form of plastic resin that was used extensively in the manufacture of water supply piping from 1978 until 1995 as a substitute for traditional copper piping. It is believed that oxidants in the public water supply, such as chlorine, react with the polybutylene piping and causes it to fail. Because of the large number of water damage claims caused by the failure of this type of piping, insurance carriers are looking for replacement of the pipes or a proactive maintenance program.

### Smoke Detectors

Insurance carrier underwriters will want to know the location of smoke detectors in a community association, especially in the common areas such as laundry rooms and trash rooms. They will also want to know whether the detectors are hard wired or work on battery power only, or both. It is also important to outline whether the association has a maintenance program in place to inspect these smoke detectors on an annual or semi-annual basis.

### Sprinkler Systems

Carriers will ask whether a community association has a full or partial sprinkler system, and they will want to know the location of the sprinklers. It is also important to have records available to show that the sprinkler systems are tested on a regular basis, in accordance with the manufacturer's specifications.



### Stairwells

In an emergency, especially in high-rise buildings, insurance companies are concerned with the ability of residents to exit the building from more than one location. Therefore, ideally they would like to see two exits out of the building from each hallway. "Dead-end" corridors, which provide no way for people to exit the building in case of an emergency, are a definite risk exposure detractor from an insurance carrier's viewpoint.

### Water Hoses

Broken washer hoses cause over \$100 million in damages per year, according to insurance industry estimates. Washer hose failure (at an average of 70 pounds of water pressure) can discharge a flood of up to 650 gallons of water per hour. Standard rubber hoses (especially the hot water hose) harden, become brittle, and may fail unpredictably, depending upon the quality of the hose and frequency of use of the machine. Useful service life is five to seven years for a consumer-grade hose.

The greater the bend in the hose, the shorter time the hose will last. Also, hose life varies with the water's chemical composition, ambient water pressure, and how the hoses are installed. They dry out, crack, and will burst. Standard rubber hoses look strong until about a half hour before they fail, as most failures begin internally. Standard brand-new rubber hoses can almost totally sever if they rupture under pressure. Insurance carriers are interested in the quality of dishwasher and washing machine hoses being used in community associations and whether a proactive maintenance program is in place to periodically check these hoses and replace them with metal flexible hoses (Floodchek hoses) that are guaranteed for the life of the washer against bursting.

### For Further Information

Managing and maintaining a community association so that quality insurance is available should be a priority for community association managers and board members. If you have any questions or need further information, please contact Steve Dickerson (703-739-2346 or [Steve.Dickerson@usi.biz](mailto:Steve.Dickerson@usi.biz)) or Theresa Swan (703-684-4369 or [Theresa.Swan@usi.biz](mailto:Theresa.Swan@usi.biz)).