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Red Flags and Costly Errors Part I by [Sean](#)

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I have heard the nightmare stories. If you dig to find the source of the problem, it is a series of misinformation and errors that lead to costly errors and issues during the claims process.

These usually include:

â€¢ Paying too much

â€¢ Gaps in coverage leading to forced-placement by banks

â€¢ Errors & Omissions that impede the claims process.

Many times Board are paying more than they should on their insurance premiums due to unnecessary coverage, mistakes on the appraisal and/or errors in the application by the insurance agent or the Board member.

Gaps in coverage.:

Often when a Board unknowingly does not get sufficient Flood Insurance, the banks take notice and automatically force place their premium priced insurance onto the individual home owner. This is an unnecessary expense and burden on the homeowner.

Errors & Omissions:

The Board needs to understand exactly what is covered. Conflicts during the claims process can stem from the community thinking something was covered that was not, an error within the policy or false information in the policy. The Board usually does not learn about the mistake until a claim is rejected.

Here are some proactive ways that will make the process of bidding and the possible claims process later easier and less expensive for the Association. Knowledge is power!

Steps towards having the Right Coverage at the Lowest Premium:

Due Diligence and interaction from the agent. Your agent should be reviewing the different policies with both the Board and the property manager so everyone understands coverage and deductibles. Has your current agent reviewed your Condo Docs for the insurance paragraphs? Is the new agent offering a quote without visiting the property or interviewing the Board or the Property Manager? Red Flag! How will they know if there is a mistake in the policy or discuss the insurance (decide if you want to renew with the current agent or start an interview process for a new one).

No Wind Mitigation credits:

This is one of the most expensive mistakes I find. If you are eligible for the credits and you do not have them, you are paying too much! There are buildings that are not eligible, always double check!

Incorrect Appraisals:

Incorrect square footage, wrong construction type, missing buildings or items are all mistakes that

can cost the association dearly in their premium or after a loss. Even a small error in a number could impact the entire policy. It is important to keep the prior appraisal to compare and check to see there isn't an abnormal increase. I've see an account premium go from \$200,000 to \$500,000 over 5 years because the new appraisal values had mysteriously jumped.

A major error on the agent side is when the building values differ in the appraisal compared to the policies. Have the insurance agent show the board appraisal values and the values used on the policies. If it's not on the appraisal, it's not covered. Make sure the point person for the Board sees the new appraisal. Have the agent meet with you and show you the list of values (aka the schedule of values - where the costs to rebuild are listed) and walk through the property checking off each item. You might be surprised to find missing items.

Stay tuned for part II of avoiding costly errors and having a smooth claims process in the world of property insurance!

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