

5 MISTAKES

You Can Avoid That Can Increase Your Real Estate Insurance Costs

There is more to keeping down insurance costs than negotiating the best rates. In this interview, Regional VP Michael Greenberg of the Real Estate Division of Capacity Coverage discusses how you can reduce insurance costs.

How does being a real estate specialist help you reduce clients' insurance costs?

We write real estate insurance nationwide. In many cases, a company's home office is local, but they may have properties extending from Minneapolis to Miami. Our clients run the gamut from shopping centers to co-ops to high rise condominiums. The advantage we bring to clients is that we have access to real estate insurance companies that many brokers don't. If there are 20 companies writing insurance for real estate, we have access to all of them while most brokers have access to only a few. We also have some exclusive in-house programs for real estate risks that we pre-underwrite for insurance companies.

Because of the amount of real estate insurance we handle, we have a significant amount of negotiating power and long-term relationships with the carriers. When we insure a new client's property, we know from experience what the premium should be, so we can persuade one of our many carriers to give a more competitive rate.

Are there certain situations that are important for real estate companies to be careful to watch?

We make sure the management company has replacement cost on the building, which is common practice. However, because of our experience, we know to go beyond that. For example, we make sure that there's no co-insurance clause on the policy. If there is a co-insurance clause and the amount of insurance is too



low, it would cause the building owner to have to cover part of the loss. In other words, if you have a fire in a million dollar building that only has \$500,000 coverage, the owner has to make up the difference.

It's important to know the demographics of a property's location. For example, a shopping center with many senior citizens as customers has a different liability profile than other areas with a younger population. We have claims meetings with clients. By doing a claims analysis, we make sure that the reserves that the insurance company sets for potential claims are fair. We also inspect properties to avoid problems before they occur.

Do your clients sometimes make mistakes when they make operating decisions and don't consider the insurance implications?

Risk management is really the key to reducing costs. We tell management companies we insure that when they sign a contract with a service vendor like a snow removal company, they must get the vendor's certificate of insurance. It is also important that the management company is added to the snow removal policy as an additional insured. If a claim comes in as a result of a slip and fall on ice that was supposed to be plowed, the claim will be covered by the snow removal company's insurer.

The same approach applies to other vendors. If someone is hurt in an elevator, for example, many times a real estate company will just file the claim with their insurance company instead with the elevator company's insurer. All this does is drive up the management company's claim experience and increases their insurance rates - even though the incident is not their fault. An insurance company is going to count these claims against the real estate company that should have been passed along to the snow plow service, elevator company, or other contractors.

At Capacity, we can look at vendors' certificates of insurance and make sure they are appropriate. We often will recommend minimum limits of liability insurance for those vendors. The same approach applies to tenants. If a management company leases property to a supermarket, we make sure that when a claim takes place it is the responsibility of the supermarket, not the management company.

As the 61st largest broker in the US and an industry specialist, Capacity has the clout in the market to help you get the best coverage with the best pricing.

Are there areas where real estate companies tend not to be properly insured?

When we have a new client, we do an insurance review to determine if the management company is properly insured. Here is a typical scenario. A property that was built in the 1960s has a fire, and they need to rebuild. However, the property now has to comply with current local building codes. Between the 1960s and today it is inevitable that many codes have changed. Many insurance policies won't cover the additional expense to bring the new construction or the reconstruction up to code. However, there is a coverage that you add called "law ordinance/increased cost of construction." It fills in the gap by supplementing the policy and adding a dollar amount that takes into consideration the new codes.

How else can Capacity help reduce our insurance costs?

Besides advising our clients and seeking the best rates, we have a new free service called MyWave. MyWave is an online service that has time saving tools to help manage insurance tasks. For example, creating employee newsletters, safety programs, in-house forms, and insurance reports can be time-consuming and expensive. MyWave lets you download easy-to-customize materials. If you have an insurance question, you can search a library of thousands of articles. Or, post your question to an online forum tapping the resources of your industry peers. You can also access a complete

OSHA Log reporting and analysis system. All of these services save time and money - and they are free.

If your HR department is stretched to the limit, MyWaveHR helps with answers to Legislative issues, instant access to articles from Benchmarking to Plan Design, plus the HealthShop online wellness education center for your employees.

- **Use a broker who knows your industry**
- **Identify insurance implications of operating decisions**
- **Require vendors to provide certificates of insurance**
- **Ask vendors to report claims to their insurers**
- **Review policies to determine full replacement coverage**

What are the advantages of working with someone like you who specializes in the business?

When you work with a broker that specializes in your industry as we do, the broker can identify potential situations that can cause an insurance exposure based on their experience with similar clients. This interview is for general advice. Every business is different and requires its own analysis from your broker. The real estate industry is unique and not every insurance broker understands it.

We understand you may have used your current broker for years. We simply suggest that you make a comparison. Then you can decide what is best for your business. Go to the link below, fill out the form, and let us review your insurance needs.

<http://www.capcoverage.com/realestate.html>