

Insurance Market Update 2005
by Mark Mackey

Good News

Well there is good news for a change in the insurance market. We are seeing a trend towards stabilization in the markets and that means better pricing. The rate increases are subsiding and some increased capacity is in the market place. The bad news is underwriting standards have tightened, but overall we are in a more consumer friendly position than we were at this time last year.

Tips for Avoiding Policy Cancellation

Make sure to have the cracks in your driveway repaired. This potential slip-fall hazard is a beacon for the opportunistic frivolous lawsuit seeker.

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Did you know that the separation between vertical beams in the railings at your complex must be no more than four inches wide? Many owners are being cancelled over this new regulation. Even though replacement can be costly, it is best to take care of the problem right away or face an even costlier uninsured situation in the future.

Replacement Costs Up as Building Material Prices Rise

You may have noticed that the costs for building materials has escalated in the last few years as demand for raw building materials has gone up. This is not only occurring in the United States, but in many foreign countries including China. A few short years ago, you could rebuild for around \$65-\$75 per square foot. Now you must figure around \$90-\$100 per square foot or higher. What does this have to do with insurance? Building material costs have a direct impact on replacement costs figured by the insurance companies and this, in turn, causes insurance rates to rise.

Insurance Companies Remain Selective

I recently had a conversation with an insurance company executive and he stated habitational buildings are not the most profitable business they can write so they are very selective. And because buildings must be insured to value, the insurance companies today seem to continue to desire the cream of the crop with regard to apartments.

Four Tips for the Building Owner:

1. Keep your buildings insured to replacement cost value.
2. Comply with the insurance companies recommendations quickly.
3. Carry high deductibles.
4. Do not turn in small claims (the long-term increase in rates will offset the short-term gain from the claim).

Final Thoughts

Although the outlook is better now than at the beginning of 2004, the insurance market is a global market and can change quickly. Big floods, hurricanes, terror acts, etc. that hit other parts of the world can affect your building's operating expenses. So hope for the best and follow the above advise and your insurance expenses should be manageable in 2005.

The above article was written by Mark Mackey of Mackey and Associates. For more information or a FREE evaluation of your insurance portfolio, feel free to give Mark a call at 866-821-1388.