Can Good Governance Lower Your Insurance Premiums?

Why Reserve Studies and Insurance Appraisals Matter More Than Ever

Insurance premiums continue to rise. Community associations across the country are experiencing higher renewal costs, larger deductibles, and increased scrutiny from insurance carriers.

While market conditions certainly play a role, there's good news: **well-managed associations often present a lower risk to insurers.** And lower risk can translate into better insurance options, more competitive premiums, and a smoother underwriting process.

One of the strongest ways an association can demonstrate responsible management is through two essential planning tools:

- A professionally prepared **Reserve Study**
- A current **Insurance Replacement Cost Appraisal**

Together these documents tell a compelling story: this association plans ahead, maintains its assets, and manages financial risk responsibly.

Insurance Companies Are Looking Beyond Claims History

Today's insurance carriers evaluate much more than an association's past claims.

Underwriters commonly consider:

- Age and condition of major building components
- Deferred maintenance
- Financial stability
- Reserve funding levels
- Ability to respond to major repairs
- Replacement cost accuracy
- Overall quality of association management

An association that can demonstrate proactive planning is often viewed more favorably than one reacting to problems after they occur.

How Reserve Studies Reduce Risk

A professional Reserve Study evaluates the association's major common-area components, estimates their remaining useful life, projects future replacement costs, and recommends a funding plan.

This provides several benefits that insurers appreciate.

1. Fewer Unexpected Failures

When roofs, pavement, elevators, building envelopes, and mechanical systems are replaced before failure, the likelihood of costly insurance claims decreases.

Preventive maintenance is almost always less expensive than emergency repairs.

2. Better Financial Stability

Associations with adequately funded reserves are generally better positioned to:

- Complete necessary repairs promptly
- Address safety concerns
- Avoid deferred maintenance
- Reduce the likelihood of special assessments

Financial preparedness demonstrates organizational stability.

3. Better Building Maintenance

Reserve Studies encourage boards to think long-term rather than simply budgeting year-to-year.

Well-maintained communities often experience:

- Fewer water intrusion claims
- Reduced structural deterioration
- Lower liability exposure
- Improved property values

All of these factors contribute to a healthier risk profile.

Why Insurance Appraisals Are Equally Important

Many associations unknowingly carry outdated property valuations.

Construction costs have changed dramatically over the past several years. Labor shortages, inflation, material costs, and changing building codes have all increased replacement costs.

An Insurance Replacement Cost Appraisal helps ensure that an association is insured for the appropriate amount—not too much and not too little.

Avoid Being Underinsured

If replacement values are too low, an association may face:

- Coinsurance penalties
- Significant out-of-pocket costs after a loss
- Delays in rebuilding
- Financial hardship for owners

Avoid Paying for Coverage You Don't Need Overestimating replacement costs can also be expensive.
An accurate appraisal may help prevent an association from purchasing more insurance than necessary.

Accurate values support informed insurance purchasing decisions and help underwriters evaluate risk more effectively.

The Powerful Combination

Think of a Reserve Study and an Insurance Appraisal as two sides of the same coin.

A Reserve Study answers:

"Are we financially prepared to maintain and replace our assets?"

An Insurance Appraisal answers:

"Do we have the correct amount of insurance if disaster strikes?"

Together they demonstrate that the association is managing both **future maintenance risk** and **catastrophic loss risk**.

That sends a positive message to insurance carriers.

Can These Reports Actually Lower Insurance Premiums?

No, reputable company should promise that obtaining a Reserve Study or Insurance Appraisal will automatically reduce premiums.

Insurance pricing depends on many variables, including:

- Regional catastrophe exposure
- Claims history
- Market conditions
- Building construction
- Carrier underwriting guidelines

However, these professional reports can strengthen an association's overall risk profile and provide underwriters with reliable information for evaluating the property.

In some cases, this may contribute to:

1. More favorable underwriting decisions
2. Increased interest from competing insurance carriers Better renewal discussions Improved long-term insurability

Even when premiums don't decrease immediately, associations gain something equally valuable: greater confidence that they are protecting both their physical assets and financial future.

Good Governance Pays Dividends

Strong associations don't simply react to problems—they plan for them.

Boards that invest in professional Reserve Studies and current Insurance Replacement Cost Appraisals demonstrate responsible stewardship of their communities.

Those efforts can lead to:

- Better financial planning
- Improved property maintenance
- More informed budgeting
- Stronger lender confidence
- Greater owner confidence
- Enhanced insurability
- Potentially more favorable insurance outcomes

That's a win for board members, homeowners, and the entire community.

Partner with Professionals

At **Global Solution Partners**, we help community associations make informed, data-driven decisions through professionally prepared Reserve Studies and Insurance Replacement Cost Appraisals.

Whether your goal is improving financial planning, supporting insurance renewals, meeting lending expectations, or protecting your community's long-term value, our experienced team is here to help.
Sound planning today can reduce uncertainty tomorrow—and that's something every community can benefit from.

Request a Reserve Study today