



## insurance

# Seven ways building owners can negotiate to lower their insurance rates

sc **Stuart Cohen**



**City Building Owners Insurance Program**

There are many things building owners can do to help them obtain lower insurance rates.

One of the most important would be to create a "building profile" for the insurance company. Owners should be able to present their buildings in the most complimentary and worthy way. Many factors go into determining the cost of a building's insurance such as construction,

replacement cost, number of units, claims history, housekeeping, occupancies, and exposures. Insurance companies look to see if a building is up to code.

The owners need to keep the property in good shape. Things to make a building look better to an insurance company include:

- Hard-wired smoke detectors
- Proper handrails and fire escapes
- Child-safe window hardware
- Sidewalks free of major cracks
- Closed fire doors with proper panic hardware
- Well-lit hallways and walkways
- Following regulations for elevators and laundry rooms

Control of all maintenance issues: Practice good maintenance—no wet floors

- Do façade repairs
- Mold eradication
- Complete other measures prior to any insurance company inspections.

One of the easiest ways to control costs is to raise the deductible on an insurance policy. The deductible is the amount of money that the building owner would pay before the insurance company would pay for any claims expense. The higher the deductible (thereby assuming some of the risk) the lower the premium cost. The deductible should be raised to a level that will discourage indiscriminate claims. The premium money saved can be put into a fund to self-insure any small claims.

### Safety = Savings

Make sure your risk profile includes all safety-related improvements in the property such as any alarm systems, security cameras, addition of a doorman, improved lighting, and anything else that makes your property more appealing to an insurance underwriter who can then apply credits for the safety measures taken.

Review your building valuations on a regular basis. The costs of labor and materials change over time. Discuss with your insurance broker the issues of co-insurance, actual cash value, replacement cost, and current rent rolls for loss of income exposure.

Consider all the factors in estimating the cost per s/f to rebuild the building in the event of a loss.

### Newer is Better

Advise your insurance broker of building upgrades and repairs. Upgrades to major systems such as heating, electric, and plumbing greatly improve your risk profile and can present your property better to the insurance company. This may lead to better pricing and broader terms when the insurance companies offer you renewal quotes.

Use an insurance broker who is experienced and knowledgeable in the real estate field.

An independent experienced broker is not obligated to a particular insurance company and will work hard for the client. They know the various markets and can present your property to many insurance companies that will compete for your business. Use a broker who will work with you 12 months a year, not one who just sends a bill at the time of the policy renewal.

Many times you can negotiate better rates by using one insurance company for multiple locations, with one master policy and scheduled properties. Separate policies run the risk of being overlooked or not getting the proper credits applied to each other. A master policy can allow you to easily view all properties scheduled with their respective coverages. Besides the usual property and liability insurance coverages, such as extras as loss of rents, personal injury, ordinance of law, lead, mold, excess liability, and other exposures should be discussed with your broker.

Know the financial strength and status of your insurance carriers. Are they licensed in the state of New York, and therefore backed by the NY State Guaranty Fund? If coverages are layered, are the stronger companies primary (on the first layers)?

### Cheaper is not always better!

Essential to controlling what you pay for insurance are two underlying beliefs... "believing insurance is just a commodity" and "not managing risk on an ongoing basis."

The insurance broker and building owner partnership should work together all year to constantly try to present the property in the best light and keep the risk profile of the property up to date. Insurance companies show their appreciation to those risks that have improved profiles and ongoing risk management by offering them lower rates and policies with broader terms.

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**Stuart Cohen is founder, principal of City Building Owners Insurance Program and Somers Agency**

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