

Public Entity Programs and the Need for Adequate Property Valuation

Given the increased submission flow into the E&S channel and challenges facing the property market overall, data quality is of critical importance this renewal season. Underwriters are inundated and often assume the worst when pertinent information related to risk is left out of a submission. Combine that with markets pushing for the use of insurance carrier forms vs. manuscripts, and it's essential for renewals to be as complete and detailed as possible. That includes the need for adequate property valuations.

CONTACT

To learn more about how Amwins can help you place coverage for your clients, reach out to your local Amwins broker.

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Why It Matters

Public entities often rely exclusively on appraisal-based indices – the most common way to determine the value of real estate assets – and may have benefitted from lower property values as a result. However, in today’s market, updated property valuations are playing a key role in rate increases.

Onsite appraisals completed by a vetted, independent third party can help ensure appropriate coverage and potentially limit these increases. This is especially critical for public entities with unique exposures like historical buildings.

Buildings may be considered “historical” because of its relevance to past events, association with individuals who played a role in local or national affairs, or the way in which it was constructed. These structures may also include property in conservation areas and areas of outstanding natural beauty.

Public entities with historical structures will need to:

- Determine if the property is listed on state or local historic registers and the National Register of Historic Places.
- Obtain a valuation from an independent contractor that specializes in this niche market – don’t rely on traditional market or acquisition value methods.
- Look for a policy that covers each historical building independently and includes guaranteed replacement cost for like quality vs. pure replacement. Be sure to also consider historic components of the property such as plaster castings, decorative finishes, hand-carved millwork, etc.
- Evaluate whether the structure is up to code or is being retrofitted to code (e.g., accessibility, seismic activity, fire, etc.). Structures that are not up to code could see impacts to coverage.

For entities that may also have fine art and rare book collections, working with a specialist in these types of collected works is key as they are often excluded from coverage.

Loss Control Protections

While certain geographies will require pricing based on minimum cost of capital, any improvement to carrier analysis can help drive better results. Public entity accounts that can effectively demonstrate sufficient risk management and loss control protections – such as sprinkler systems, preparedness plans for emergencies or natural disasters, landscaping/hardscaping in wildfire prone areas, etc. – along with appropriate risk profile attachment points and credible TIV data, will have an easier time securing the coverage they need.



Understanding the Nuances of Public Entity Programs

While agents and brokers should be familiar with the unique details of how Public Entity programs are structured, the following questions are critical as they will impact the insurance budget, total schedule of values (SOV) for the pool, and how coverages should be applied to the locations on the SOV.

- Does the program have member entities and are they allowed to opt in and out of the program?
- What rules govern the program (e.g., how often can member entities opt in and out of the program and how are valuations conducted)?
- What safeguards does the program have in place to avoid adverse selection?
- Do member entities have a group policy or is each entity covered under a primary policy?
- Are entities part of a state program? If so, do they receive appropriations from a general fund or do they underwrite and pay claims independently?
- What role does FEMA coverage play in all this? Does the policy include contributing insurance clauses?

Partnering with a public entity specialist broker like Amwins can help you navigate the necessary information to gather to properly structure the insurance. We don't believe in one-size-fits all public entity insurance and are dedicated to helping you deliver the best products the market can offer.

About the Author

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