

INSURANCE CHECK - UP

- *Randall A. Pentiuk, Esq.* 12/97

In these days of economic distress, insurance companies are facing the same plight as other sectors of business. Like financial institutions, many insurance firms have gone under, stranding their customers with enormous unfunded exposure. For this reason, it has become more important than ever to conduct a periodic review of the Co-op's insurance policies.

The starting point is to examine the financial strength of your insurers. Few things can embarrass the Co-op Board and Management more than to pay premiums and then not have the coverage you expected. One resource in checking the stability of an insurance company is the A M Best Company, which researches several factors and provides ratings for the insurance industry.

Another important resource is your state's insurance commission. Most states have some basic financial and regulatory requirements that must be met by insurance companies that want to do business there. Make sure your insurer is authorized to do business in your state; this at least assures that they have met those minimal standards.

Additionally, state insurance commission can advise if there have been complaints filed in your state against your insurers. If there are serious problems with a company, these regulators may start legal proceedings including asking a court to appoint a receiver to liquidate the assets of the insurer to help the insured.

After making sure your company is likely to be there when you need it, you should check your coverages. This will require the expertise of your attorney. Such a review needs to address the scope of coverage as well as the amounts and adequacy of the dollar limits and deductibles. Not only should the Co-op have general liability coverage for the usual personal injuries but should also include errors and omissions coverage for the Board.

While these preventative measures involve some expense and effort, the axiom "penny-wise and pound-foolish" is applicable here. There is a real crisis in the insurance industry; Boards owe it to their Co-Ops to pay attention to these details.