

An ounce of prevention...

By Tiffany Woods

WCIA is a pool of members throughout the state of Washington. Out of the 169 members, 156 members have Auto Physical Damage and/or Property coverage through WCIA. Your diligent work, attention to detail, and assistance with our vendors help make the Property program a success.

Thermography and Loss Prevention Surveys

In 2023, WCIA hired Hartford Steam Boiler Inspection and Insurance Company (HSB) to perform onsite loss control engineering and thermography services. (See August 2023 newsletter [article](#).) These surveys are done at no cost to the membership, and they provide real-time data to the members to help prevent property and equipment losses. In one of the surveys last year the thermographer was able to see abnormal or unexpected thermal patterns or temperature differentials at a wastewater treatment plant impacting a pump and a transformer. The member was able to repair the items while the inspector was onsite.

Property Appraisals

WCIA has onsite property appraisals conducted for all of the members in the Property program every five years. WCIA is in the twelfth year of property appraisals. Thank you to all of the members for taking the time to have the appraiser visit your locations. By having up-to-date property information including addresses, GPS coordinates, structure type, replacement values, etc. we are helping ensure our member property locations are covered for a physical loss when damaged by a non-excluded peril.

In the latest round of appraisals, a few occupancies (fire stations, city hall/administration, restrooms, and shelters) saw larger increases than the last time the same structures were appraised in 2019. Most of them increased in total value by over 25%. The property appraisers do truly “re-appraise” each visit; this includes receiving more detailed information from the members, through blueprint documentation, better access to the buildings, and even detailed cost breakdowns via member engineering staff reaching out to the actual builders and suppliers. This information is important to note for those specific members who were appraised but also as a highlight to the entire membership that replacement costs continue to increase.

Property Renewal

Many factors drive the cost of covering member assets for a loss including pool wide property loss experience, the global insurance market, and the individual insurance carrier’s appetite and capacity to absorb losses. By having accurate property data and mitigating property losses, by cooperating with the thermography and loss control surveys and implementing their recommendations, the membership is demonstrating to the insurance market that the schedules are current and property losses are trying to be prevented.

For insurance purposes, there are property policies that are either a “replacement cost” or a “stated value” policy. WCIA members have replacement cost coverage for their scheduled assets. Replacement cost coverage provides reimbursement for your realized costs in rebuilding/repairing a damaged structure (using like materials and similar footprint) whereas a stated value policy will only pay you up to a maximum amount of whatever value is stated on the property schedule less your deductible.

It seems for every property renewal over the last several years the property insurance carriers really would like to provide a “stated values” policy. Why? When property insurers look at a stated values policy, they know the maximum they could be paying if there was a loss. With a replacement cost policy, they see the scheduled values, but they do not know how much they will end up paying if a loss occurs until after everything is rebuilt. If the membership has undervalued property losses (it costs more to replace something compared to the amount that was listed on the schedule) then the property underwriters lose confidence in our Property program jeopardizing WCIA’s ability to purchase insurance above the WCIA self-insured retention limit. The insurance carriers basically want to know what they could be on the hook for ahead of time, so they can weigh the financial risks, and they also want to obtain enough premium (which are based on the values) to offset potential losses.

Auto Physical Damage Replacement and Actual Cash Value

WCIA offers members two options for insuring vehicles for physical damage. Members can choose either Replacement Cost, if it qualifies (see below), or Actual Cash Value (ACV) coverage. Replacement Cost coverage is if the vehicle is damaged beyond repair and considered a total loss by the WCIA adjuster, the member could receive the value of a new replacement vehicle and its equipment. ACV coverage provides the member either the cost to repair/replace the vehicle with like kind and quality, or the actual cash value for the vehicle as determined by the claim adjuster assigned to the loss.

Starting January 1, 2025, the criteria for replacement cost coverage will also be limited to vehicles 10 years old or newer.

Criteria for Replacement Cost Coverage

1. The vehicle and equipment values (combined) need to meet a minimum threshold of at least \$50,000; and,
2. The vehicle/equipment values need to reflect the value of what it cost the member to replace the vehicle with a new vehicle and equipment using current market conditions; and,
3. The vehicle must be 10 years old or newer; and,
4. Rented and leased vehicles do not qualify for replacement cost coverage.

How often should we update our vehicle and/or property schedules?

If a member wants an asset covered for a physical loss it must be listed on the vehicle or property schedules.

For Auto Physical Damage coverage, there is a grace period for adding vehicles to the schedule; owned autos within 30 days after they are acquired, and rented or leased autos within 10 days after you rent or lease it. See the [2024 Auto Physical Damage Coverage Document](#).

Property coverage does not have a grace period. If the member is having something newly constructed list the asset on the property schedule when it is “substantially” complete for it to be covered for a loss. If something is not listed on the schedule it is not covered. If the member is having something improved/remodeled, update the property schedule accordingly.

If there are several items at a park location, specifically list out all those items on the schedule so that the WCIA claims adjuster can identify what is being covered if there is a loss. Park locations are unique as there is often a line item called Property in the Open and then in parenthesis is a detailed list identifying everything being covered. For buildings at the park, i.e., restrooms, gazebos, etc., those are each listed out individually on the schedule so that WCIA has all their details for the property underwriters (construction type, square feet, fire protection, etc.).

Do we have to list all of our assets on the vehicle or property schedules?

It is up to every member to decide which assets they want listed on the schedules to be covered for a physical loss. If something is not listed it is not covered. The member must weigh the potential risk for an uncovered loss (something not listed) versus how much it increases the total scheduled values to have something listed and therefore increases the assessment amount.

If the member would like to list more assets on the schedule but it is becoming cost prohibitive, another option is to increase the applicable deductible to lessen the rate. Members can work with their assigned WCIA Risk Management Representative or Programs & IT Coordinator Tiffany Woods to go over the Auto Physical Damage and Property loss history to see if a higher deductible may be beneficial to your entity. In November, an email is sent to every member with the various deductible options and the corresponding assessment amount for vehicles and property for the following year.

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