

INSURANCE TRENDS AND INSURANCE SCENARIOS

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ADINA BERGSTROM
GAVNAT
<https://gavnat.com>



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ERIC SKARNES
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(612) 354-2040
myinsurancewarehouse.com



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Agenda

- Welcome
- Current Insurance Market Trends for HOAs
- Case Study 1 – Exterior Damage Claims
- Case Study 2 – Interior Water Damage
- What HOA Boards Should Do When Damage Occurs
- Discussion & Q&A

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Overview

- The insurance landscape for HOAs is shifting quickly
- Claims are becoming more complex and more scrutinized
- Boards are being asked to make more informed decisions than ever before

Understanding your policy is only half the equation – understanding how claims actually play out is what drives outcomes

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Current Insurance Market Trends for HOAs

Market Shift: From Hard to Softening Market

- Over the past few years, HOAs experienced a hard insurance market
- Today, we are seeing a shift toward a softening market

What that means:

- More competition among carriers
- Increased capacity in the market
- Greater flexibility in underwriting

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What's Changing Right Now

Rate Environment

- Carriers are beginning to lower premiums or slow increases
- More competitive bidding during renewals

Underwriting Flexibility

- Reduce strictness on guidelines
- More willingness to write risks that were previously declined

New Market Entrants

- New insurance carriers entering the HOA space
- Existing carriers expanding appetite

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Why the Market is Softening

- Prior rate increases improved carrier profitability
- 5% wind/hail deductibles reduced carrier exposure
- Reinsurance markets are stabilizing
- More capital is re-entering the insurance space

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What Boards Are Experiencing

- More carrier options during renewal
- Ability to negotiate pricing and terms
- Potential for improved deductibles or structures
- Broader availability of coverage compared to recent years
- More exclusions, limitations, and dollar caps in the policies
- Higher deductibles

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Strategic Opportunity for HOA Boards

Boards should use this moment to:

- Re-evaluate their current insurance program
- Identify and address coverage gaps
- Improve policy language and endorsements
- Ensure accurate property documentation and valuations
- Strategize policy coverage with Association reserves
- Communicate well with owners about HO6 coverage

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Case Study 1 – Exterior Damage Claim

Scenario Overview

- Severe storm cause damage to HOA roofing system
- Multiple buildings/units impacted
- Claim filed under master policy

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Case Study 1 – Exterior Damage Claim

Step 1: Claim is Reported

Property Manager or board initiates claim

Key early actions:

- Document visible damage
- Take steps to prevent further damage
- Notify carrier promptly

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Case Study 1 – Exterior Damage Claim

Step 2: Carrier Evaluation

- Adjuster Inspection
- Scope of loss created
- Coverage determination

Common Issues:

- Partial roof approvals
- Undervalued scopes
- Missing ordinance & law/code items

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Case Study 1 – Exterior Damage Claim

Step 3: Claim Development

- Additional inspections (engineers, experts)
- Lab and other expert reports
- Detailed documentation and estimating
- Ongoing communication and negotiation
- Coverage limitations: exclusions, ACV only coverage, per building % deductibles pushing coverage downstream to HO6 loss assessments

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Actual Cash Value

Definition: the amount equal to the replacement cost minus depreciation of a damaged property at the time of the loss

Example: HOA suffers hail damage to their roofs. The roofs have 30-year shingles that are 15 years old and cost \$1,000,000 to replace.

	Actual Cash Value	Replacement Cost
Cost to Replace Roof	\$1,000,000	\$1,000,000
Actual Cash Value	\$500,000	\$500,000
Recoverable Depreciation	\$0	\$500,000
Deductible	(\$100,000)	(\$100,000)
Total Payout	\$400,000	\$900,00

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Case Study 2 – Interior Water Damage

Scenario Overview

- Pipe burst or water intrusion
- Multiple units impacted
- Responsibility unclear

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Case Study 2 – Interior Water Damage

Common HOA Challenges

- Master policy vs. unit owner (HO6) policy
- Deductible allocation
- “Bare walls” vs. “all-in coverage confusion
- “Ownership” confusion between a covered peril and who has a duty to “maintain” the property

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Case Study 2 – Interior Water Damage

Typical Claim Lifecycle

1. Damage occurs
2. Mitigation begins
3. Claim reported
4. Coverage evaluated

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Case Study 2 – Interior Water Damage

Where the Claim Breaks Down

- Disputes over responsibility
- Disputes over what specifically happened to cause the loss
- Gaps between HOA and unit owner policies
- Scope of repair disagreements

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Case Study 2 – Interior Water Damage

Board Takeaways

- Understand policy structure before a loss occurs
- Clarify responsibilities between HOA and owners
- Prioritize thorough documentation early
- Be prepared for immediate response with professional vendors to mitigate damage
- Be aware of limitations that are common for water losses: mold, underground water, sewer back-up

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What HOA Boards Should Do When Damage Occurs

- **Step 1:** Protect the property and prevent further damage
- **Step 2:** Document Everything
- **Step 3:** Engage the right professionals early
- **Step 4:** Notify the insurance carrier promptly

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Key Takeaways

- The insurance market is improving – but still requires active management
- Coverage decisions made today impact future claims
- Claims are not automatic – they must be properly documented and supported
- HOA Boards play a critical role in protecting their community's financial position

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Contact Info



Adina Bergstrom
Info@gavnat.com
763.251.8992



Eric Skarnes
Eric@myinsurancewarehouse.com
612.354.2040

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