The Syndicator's Insurance Perspective

Collaborative Discussions

Syndicator view may be different than Lender view –or may be similar

- Example – Deductibles
  - Syndicator may be more tolerant, or more prescriptive, depending upon multiple factors
- What forms the opinion of the Syndicator?
  - Location: Coastal, Riverine, or just swept into harsh rating by carriers for a certain inland location VERSUS clean inland location
  - What is the sponsor's history of claims in the last 3 to 5 years?
    - Not just CAHEC investments but all of your properties
    - How are your reserves on all properties?

      Low balances? We will ask for updated financials
  - Who is Guarantor to this transaction?
    - What is their liquidity?
    - What is their development pipeline: recent and backlogged? If a large backlog, we'll need more information.

      We may ask their locations

- Figure out if you want the lender and syndicator on the same conference calls, especially when turning off Builder’s Risk and converting to Permanent Phase property coverage.
    - Your choice, but bringing these parties together may speed the process of conversion.
- Same for Renewals or Builder’s Risk in the beginning
    - Again, may have different tolerances
    - Special situations:
    - Wind/ Rain deductible: higher? How high?
    - Begin with an email; expect request for conference call.
    - Want to ask for a waiver for deductible or coverage? Know your audience:
        - Prepare a multiple choice menu
        - Insurance premiums are $____ for $10,000 deductible
        - Insurance premiums are $___ for $25,000 deductible
        - Insurance Premiums are $___ for $50,000 deductible
    - At each cost level, present a project proforma

- Same for deductible Buy-downs
  - If the named storm is $150,000 deductible and reserves are tightly controlled by a government lender, questions:
  - Will the deductible come out of the project's general operating bank account—or the Owner's pocketbook---provide more data to the syndicator.
  - Write any request like a proposal
  - Tell us how your agent is shopping the deal (to how many carriers?)
- Transfer financial risk *effectively* to insurance
  - Not being spread too thin on retention and self-funding but also what can the property's proforma handle?
- New Transactions
  - Underwriting the deal for the long haul
    - Equity Closing – provide an estimate for the permanent phase from your agent, with qualifier of course
    - If your agent declines to provide an estimate, how would you propose underwriting your deal?
    - Biggest weakness we see: exchanged credits, but the proposed insurance cost is the same as the original tax credit application 3 years ago –ouch
  - Property Management: Assisting in the underwriting

- FEMA: Risk Rating 2.0 for flood areas
- Seeing errors by NFIP; also preferred risk rating no longer available
- Letter of Map Amendment
  - If you officially get it, you can present to your lender or syndicator that flood insurance is no longer needed
  - May be worth the time hiring a consultant and engineers: may save thousands of dollars on a single property
- New conversations with various states
  - Allowing an insurance reserve to be capitalized for deductibles or spikes in premium costs beyond the reach of rental revenue
  - Changing the race to the bottom –lowest credits per unit—prevents enhanced building systems such as Fortified Roofing in high wind areas which could potentially lower the insurance cost and/or resilience to high winds