

# THE COMMUNICATOR

FALL 2022



Photo Credit: Garry Redmann • Pembina Gorge from Rendezvous Region Scenic Backway

## WHAT'S INSIDE

### P. 1

#### From the CEO

- Continue to Review and Update Values — for Buildings, Outdoor Property, and Personal Property

### P. 2

#### Coverage Terms

##### Defined: Coinsurance

- What is Coinsurance?
- Example of Coinsurance in Effect
- How to Prevent Coinsurance
- Additional Terms to Know

## FROM THE CEO

Since we began administering the ND State Fire and Tornado Fund (NDFT), we have continued to stress the importance of reviewing and verifying building property values. While this is still a major focus, and a big **thanks to the Members and local agents who've invested time into ensuring their entity's properties are adequately valued**, in this issue of The Communicator, we highlight the importance of ensuring outdoor and personal property are also adequately valued.

Recent severe weather events across our state caused widespread damage to outdoor and personal property covered under the NDFT. As claims trickled in for damaged property, the trend we soon discovered was significantly undervalued property. When covered property isn't adequately valued, a coinsurance penalty may apply.

*Check out p. 2 of this newsletter to learn further about coinsurance, including advice from our Director of Claims Keith Pic and Assistant Director of Claims Michelle Lang on how to prevent it.*

If you have any questions about NDFT coverage, please contact us at (701) 224-1988 or [NDFT@ndirf.com](mailto:NDFT@ndirf.com).

Thank you for your membership in the North Dakota State Fire and Tornado Fund!

Sincerely,

Handwritten signature of Brennan Quintus in black ink.

Brennan Quintus  
NDIRF CEO



**NORTH DAKOTA**  
State Fire and Tornado Fund

Administered by the North Dakota Insurance Reserve Fund

## COVERAGE TERMS DEFINED: COINSURANCE

### ND State Fire and Tornado Fund Edition

Helping you better understand ND State Fire and Tornado Fund (NDFT) coverage terms and providing you with examples about how coverage is applied enables you to make the best decisions regarding your coverage.

In this edition of NDFT Coverage Terms Defined, we take a look at coinsurance, which is currently trending at the Fund due to an influx of personal property damage claims following a recent string of wind and hailstorms across our state. *Coverage Terms Defined* is a regular feature in our *Participator* newsletter, available on our website here: [www.NDIRF.com](http://www.NDIRF.com)>[Reference Section](#)>[The Participator](#).

Within the context of the NDFT's personal property coverage, a coinsurance penalty is applied when a covered loss occurs for undervalued property. The coinsurance penalty reduces the loss amount paid.

*Please refer to p. 14 of the NDFT Building and Personal Property coverage form for specific coinsurance language per the terms of NDFT coverage.*

To help maintain the strength and stability of the Fund, coinsurance penalties are applied to help close the gap between the previously uncollected premium (due to undervalued property) and the loss payment. **Note: With the exception of items covered under a blanket limit of insurance, all property items are subject to a 90% coinsurance condition.**

### EXAMPLE

Your entity's pool building has a personal property limit of \$100,000. An unexpected hailstorm rips through your area. You don't have enough time to get the umbrellas, tables, and chairs into storage, and they sustain damage.

At the time of loss, it is determined the total value of the pool building's personal property is \$250,000. The cost to replace or repair the umbrellas, tables, and chairs is \$45,000.

In this circumstance, a coinsurance penalty would apply.

**Here is a breakdown for this example of the calculation used to determine the coinsurance penalty amount:**

Current Replacement Cost value (RC): \$250,000  
Personal Property (PP) Limit on Policy: \$100,000  
Coinsurance on Policy: 90%  
Deductible: \$1,000  
Amount of Loss: \$45,000

1. Minimum amount of insurance needed to meet coinsurance and avoid a coinsurance penalty is:  
 $\$250,000 \times 90\% = \$225,000$
2.  $\$100,000 / \$225,000 = .444$
3.  $\$45,000 \times .444 = \$19,980$
4.  $\$19,980 - \$1,000 = \$18,980$

The Fund pays \$18,980. The remaining \$26,020 is not covered.

## HOW TO PREVENT COINSURANCE

Preventing coinsurance penalties is easy, and our Director of Claims Keith Pic and Assistant Director of Claims Michelle Lang have shared a couple of tips below to help your entity:

**Review your property schedule.** Since assuming administration of the NDFT, we've repeatedly shared the importance of reviewing and updating building values. During this process, we encourage you to also review the values of personal property these buildings contain (offices, dorms, storage, etc.).

"Entities should sit down with their agents and review their property schedule," said Pic. "Be sure to double-check any personal property values that seem low."

**Double-check your inventory.** As new employees join your entity, they may not be familiar with all its property. Set a schedule to review property at least annually so you keep tabs on existing and new property.

"We encourage entities and their agents to tour their property, with their property schedule in-hand, to review property," said Lang. "It might occur over one day or multiple days, but it could save you money, which makes it worth doing."

## ADDITIONAL TERMS TO KNOW

As you're reviewing your entity's property schedule, you'll come across four different property terms: Building Property, Business Personal Property, Outdoor Property, and Trailer Property. We've provided the acronyms and definitions below to help you further understand your schedule:

**BP (Building Property):** A structure that normally has walls and a roof and has a permanent foundation.

**PP (Business Personal Property):** Movable, tangible, and owned by the policyholder that stays on location. There is some coverage for personal property temporarily off premises.

**OP (Outdoor Property):** Permanently anchored property such as water towers, fencing, flag poles, detached signs, lighting, bleachers, and playground equipment.

**TP (Trailer Property):** Trailers and mobile homes not on a permanent foundation system, but anchored.

## QUESTIONS

If you have questions regarding property schedule review and valuation, please contact the NDIRF Underwriting

