

Community Association Property Insurance Market Update – Things Are Getting Weird SOFT!

Updated Two-Part Series – Second Quarter 2026

By:

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Part I: Why We Updated a Five-Month Old White Paper

A mere five months ago, we declared that *“the insurance market was weird.”* In December 2025, our team was witnessing some softening with Midwest property insurance, especially for community associations already in the non-admitted market. That said, starting in January and accelerating through the first quarter, we’re seeing a sharp market softening and opportunities for many associations to claw back years of large increases.

However, we continue to see a **bifurcated market**. Many admitted/standard insurance companies are seeking modest rate increases or coverage modifications, though there are some new entrants for newer and well-protected communities. However, for those communities already with non-standard property insurance companies, there is a feeding frenzy driven by ample capacity, especially in the London markets. Reductions in the 20% - 40% range are increasingly common.

Furthermore, **changes in Fannie Mae’s condo project underwriting guidelines** are providing some additional flexibility with coverage, though the move to more comprehensive project reviews gives us concern.

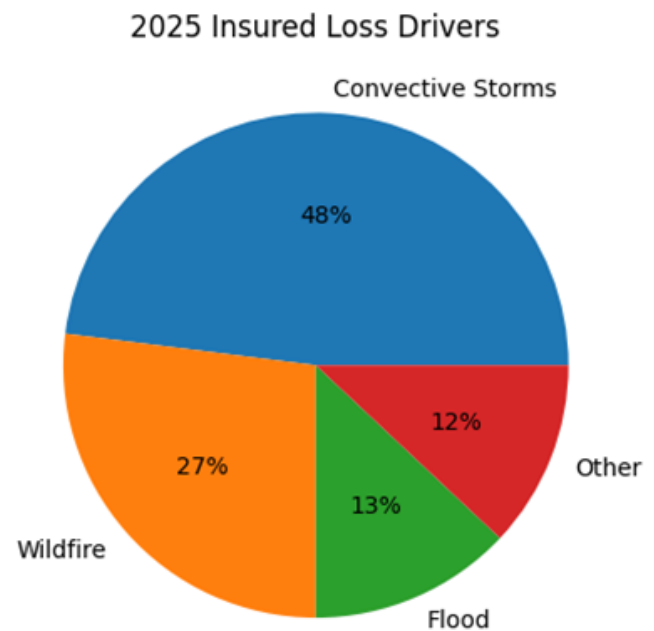
Weak 2025 Hurricane Season Created Billions in Capacity

The insurance industry's loss experience during the first six months of 2025 reinforced insurers' cautious underwriting posture through the end of 2025. According to industry reporting, the United States experienced tens of billions of dollars in insured catastrophe losses in the first half of 2025 alone, driven primarily by:

- Severe convective storms across the Midwest and South
- Major wildfire events

However, for the first time in a decade, no hurricanes directly struck the United States in the later half of 2025, which has caused a significant amount of capacity in the property insurance marketplace. Property rates in Florida started dropping last year, but underwriters remained cautious for Midwest communities through the end of 2025.

Reinsurers—the financial backbone of the insurance industry—provided very favorable renewals on January 1st, and a glut of capacity in overseas markets (especially London) is driving down rates for the first time in several years.



Updated Underwriting Criteria for 2026

Claims data continues to demonstrate that **older, larger communities with deferred maintenance issues** represent a disproportionate share of severe losses. However, while individual underwriting guidelines vary by carrier, the following characteristics remain critical in 2026:

- **Building age more than 25 years (pre-2000 construction)**
- **Total insured value (TIV) and concentration of risk exceeding \$20 Million**
- **Roof age, type, and replacement history**
- **Electrical, plumbing, and HVAC system updates**
- **Life-safety and fire protection systems**
- **Claims frequency during the past 5 years**

Communities that fall into multiple high-risk categories frequently find that traditional “admitted” insurers are unwilling to offer terms. For those communities grandfathered by admitted insurance companies, they may still experience up to double-digit price increases in 2026, though often with terms that are more competitive than the non-admitted market.

As in prior years, larger communities with multiple unfavorable characteristics may need **layered insurance programs**, often involving multiple carriers, to achieve full replacement cost limits. That said, we’re seeing a reduction in the number of insurance companies required and sometimes can do a single placement.

Pricing Expectations in 2026 – Bifurcated Marketplace

For communities still insured through admitted/standard insurance companies, we can expect small to moderate increases, but often with better coverage and pricing than non-standard carriers. Associations that were forced into the non-standard market during the past few years are experiencing small to very sharp decreases, with larger communities often benefitting more than smaller ones as carriers chase premium.

Type of Community	Age / Characteristics	Size	2026 Renewal Rate Range
Mid- and High-Rise Buildings	Post-1990 Sprinklered/Well Protected	> \$20 Million Total Insured Value	-5% to +15% depending on claims
Mid- and High-Rise Buildings	Pre-1990 or Non-Sprinklered	> \$20 Million Total Insured Value	-5% to +20% depending on claims
Garden-style Townhomes and Villas	Post-2000 Construction	< \$20 Million Total Insured Value	Flat to +15% if With Admitted Market Flat to -40% if With Non-Standard Market
Garden-style Townhomes and Villas	Pre-2000 Construction	> \$20 Million Total Insured Value	Flat to +15% if with Admitted Market -10% to -50% if with Non-Admitted Market, especially for claims-free associations

Inflation, Valuation, and Insurance-to-Value Enforcement – Here Comes Fannie Mae and Need for Professional Appraisals

Since 2020, accurate building valuation has become one of the most consequential issues for community associations. While construction cost volatility has moderated somewhat since its post-pandemic peak, replacement cost values remain materially higher than historical norms.

Non-standard insurers have backed off of strict insurance-to-value requirements that often drove up building values during the past few years. However, if your community is already with a non-standard market, now is a good time to catch up on proper valuation since the rate per \$100 coverage may decrease.

If you receive a “competitive” proposal that only saves premium due to a reduction in insured values, ask for a valuation report to support the lower value! Replacement Costs are NOT decreasing!

Fannie Mae announced in their March 2026 update that they are getting rid of the “limited review” process. We are already witnessing the ramifications—Fannie is becoming more stringent with proving that replacement costs can be backed up with real data. We are advising all clients to invest in professional insurance replacement cost surveys to ensure you don’t land on Fannie’s dreaded “black list”.

The Growing Importance of Non-Admitted Insurance Markets

One of the most significant structural shifts in the community association insurance marketplace is the expanded reliance on non-admitted (surplus lines) insurers and specialty programs.

What Are Non-Admitted Insurers?

Non-admitted insurers are carriers that are not licensed by a specific state but are legally permitted to provide coverage when admitted insurers decline or are unable to offer adequate terms. These insurers are regulated at the state level but are **not backed by state guaranty funds**.

Why Non-Admitted Markets Matter in 2026

In today's market, non-admitted insurers are no longer a niche or "last-resort" option. They have become a **critical source of capacity** for many condominium and townhome communities due to:

- Reduced appetite from admitted carriers
- Large total insured values exceeding admitted market limits
- Older construction and legacy building systems
- Loss history or geographic catastrophe exposure

For many associations, surplus lines programs are now the **only viable path to full replacement cost coverage**.

Key Trade-Offs Boards Must Understand

While non-admitted programs provide essential access to coverage, they often come with trade-offs that may include: higher premiums, larger deductibles, more restrictive terms and conditions, and the lack of guaranty fund protection.

That said, most of the glut of underwriting capacity remains in the non-standard marketplace. Unlike the days of old, boards and managers should view non-admitted coverage not as a failure, but as a **pragmatic response to modern insurance realities**.

Invest Insurance Savings Into Shoring Up Coverage Gaps

Many communities were forced into significantly higher deductibles—especially for wind and hail—or had to accept lower limits for critical coverages such as Ordinance or Law, Backup of Sewer or Drains; or earthquake.

If your community receives a premium reduction at this renewal, it may be wise to invest the savings in lower deductibles or improved coverage.

Wind & hail deductible buydown policies are a key tool in 2026 to reduce your community's exposure to this common type of claim. We recommend all communities with wind/hail deductibles in excess of 2% consider a buydown policy at this renewal.

Part I Summary – Is the Soft Market Here to Stay?

This is the trillion dollar question! Chubb CEO Euan Greenberg, a titan of the insurance industry, [recently described the softening market conditions as “dumb”](#). There is ample evidence that underwriting discipline has collapsed overnight, though there were excesses during the hard market that needed reigning back.

My opinion is that barring a major hurricane season or other catastrophe, we'll continue to see market softening in 2026 and perhaps into the first couple of quarters of 2027. That said, claims are not going away. The contraction of the property insurance market in 2022 - 2024 was due to massive underwriting losses for a multi-year period. Once claims start piling up, many new programs driving down pricing will disappear just as quickly as they emerged.

Community associations should take advantage of the soft market, but should be cautious about abandoning long-term admitted carriers. They should also invest in transferring more risk, in the form of broader coverage or lower deductibles. Finally, all communities should catch up on replacement cost values and obtain professional appraisals.

About the Author

Jim Ruebsam, CIRMS, EBP is a Director and Senior Vice President at The Daniel & Henry Company, where he leads the community association insurance team. He holds the Community Association Insurance and Risk Management Specialist (CIRMS) and Educated Business Partner (EBP) designations from the Community Association Institute (CAI). He has served two separate terms as President of the Heartland Chapter of CAI and currently serves on the chapter Board of Directors. Jim is a frequent speaker on community association insurance and risk management issues both in the Midwest and across the country. In his career, he has served hundreds of community association clients and currently is leading a growing team of professionals dedicated to the industry.



Jim graduated magna cum laude from the Missouri School of Journalism, with a focus in Strategic Communications. He worked several years in the advertising industry, eventually becoming a large accounts manager for Fortune 500 insurance and financial services clients before joining Daniel & Henry in 2007. He has three children and enjoys backpacking, fishing, and adventuring around the world.

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Part II: The 2026 Market and Loss Control Opportunities

Loss control remains inseparable from insurability. Despite market softening, insurers continue to use inspections, engineering reports, and third-party data to assess risk. If you read the 2023 version of this article, you'll note many similarities—while the market has changed, proactive and documented loss control is still critical.

Not All Roofs Are Created Equal

Convective storms that produce large hail and straight-line winds continue to be the greatest source of claims in the Midwest and accounted for the largest percentage of claims in the entire country. The days of slapping on a new roof and waiting for the next hailstorm to replace it are over. Not only are wind and hail deductibles increasing, most insurance companies are now paying actual cash value for roofs greater than 15 years old—if they are even willing to offer terms.

All communities should have regular roof inspections from a trusted roofer. If you have a reserve study, ensure you are funding it so that you will be replacing roofs every 15 – 20

years. For asphalt shingle roofs, consider the benefits of Class III or IV shingles, which withstand Midwest weather better than inferior materials.

For communities with flat roofs, consider replacing them with membrane style systems. Conduct regular inspections and repair areas where flashing is failing, allowing for water intrusion.

Electrical Systems and Aluminum Wiring

Communities built between the late 1960s and early 1980s continue to face severe underwriting restrictions due to aluminum wiring. Most communities remediated with alumiconn connectors, but there are still some holdouts. The insurance market for non-remediated aluminum wiring is now extremely limited, and the few remaining options often involve significant cost and coverage trade-offs.

If your community has aluminum wiring and has not remediated with the alumiconn or COPALUM method, *you are wasting a significant amount of money for bad coverage!*

Prohibited Electrical Panels

Electrical panels such as Federal Pacific (FPE), Zinsco, Challenger, Pushmatic, and certain Sylvania models remain unacceptable to most insurers. Discovery of these panels during inspections frequently results in cancellation notices, coverage exclusions, or immediate remediation requirements.

Grilling, Heating Devices, and Fire Risk

Strict enforcement of NFPA standards has become standard practice nationwide, especially among admitted insurance companies. In 2026, some non-admitted insurance companies are loosening their standards, though all communities should be cautious about allowing grilling on decks. Non-compliance often results in immediate declination or non-renewal. [You can learn more about this issue HERE.](#)

Wood-Burning Fireplaces

While underwriters are softening their stance on wood burning fireplaces, all communities should require annual, documented cleaning for those Owners who use their wood burning fireplace. Also, if your community has a large loss due to a fireplace, expect an unfavorable renewal.

Documented Inspections of Key Building Systems are Critical

On-site insurance inspections are now routine. Deteriorating balconies, decks, sidewalks, roofs, and façades frequently trigger underwriting action. Following high-profile building failures in recent years, insurers are scrutinizing maintenance practices with renewed intensity, especially for older communities.

Communities with funded reserve studies and documented maintenance plans are materially better positioned in underwriting negotiations. Furthermore, in cases where an insurer disputes if damages were caused by a covered peril or by wear and tear, documented inspections and maintenance reports can mean the difference between a denial and expedient payment.

Summary: Preparing for the Long Term

While insurance professionals remain empathetic to the challenges facing boards and managers, the reality is that **many of these underwriting constraints are unlikely to disappear in the near future**, even with a softening market.

The duty to insure remains, and communities that proactively address valuation, documented maintenance, and loss-control issues will consistently achieve better outcomes. Non-admitted insurers and specialty programs will continue to play a central role in the community association insurance landscape, especially for those communities that do not meet admitted insurers' narrowing underwriting guidelines.

The most successful communities in 2026 are those that treat insurance not as a once-a-year transaction, but as an ongoing risk-management strategy.

Go to www.condoinsure.com for additional resources for all types of community associations.