



Two Coverages Every HOA Needs

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New requirements for Cyber Liability Insurance have been implemented. During the 2023 Nevada Legislative Session, SB378 was enacted into law, amending NRS116.3113 to mandate cyber liability coverage for community associations facilitating online payments by members. Associations are obligated to procure their own cyber coverage and cannot rely on coverage provided by banks or management companies. Each party involved must obtain separate policies as cyber liability policies do not offer additional insured coverage. The necessity for cyber liability insurance applies irrespective of whether online payments are made directly through the association's website, the community management website, or via the association's bank or a payment processor. As long as the funds are deposited into the association's bank account from an on-line process coverage is needed. Coverage limits vary depending on the association's size: \$250,000 for associations with 150 or fewer members, \$500,000 for associations with 151 to 250 members, and \$1,000,000 for associations with 251 members or more. It's crucial to distinguish cyber liability from computer fraud coverage in the Crime/Fidelity Policy. Crime coverage is property coverage not cyber liability. Cyber liability can be obtained through standalone policies or added to Directors & Officers (D&O) Policies, with options available through Great American to add \$250,000 or \$500,000 to their D&O policy.

Cyber Liability Insurance is now a mandatory requirement for most Homeowner Associations. Additionally, Employers Liability Insurance, commonly known as Workers Compensation Insurance, is obligatory if the HOA pays compensation of \$600 or more to an individual. While many HOAs in Nevada do not have employees and are not legally obligated to maintain workers comp coverage, it's recommended as an industry best practice. A zero-payroll policy costs only \$495 annually through the CAIS Program, which includes a volunteer endorsement covering medical and rehabilitation costs for association members participating in official HOA functions. Workers comp insurance covered medical bills totaling \$18,000 when a board member broke her arm after a chair collapsed during a board meeting. Nevada follows the general contractor's rule, making the hiring entity responsible for subcontractors' workers' compensation claims if they lack insurance. Monitoring subcontractors' insurance coverage is challenging, but the association's workers comp policy would defend and indemnify the association in case of claims. Additionally there was a published California Supreme Court Case where the subcontractor allowed the workers compensation to lapse and there was a severe worker injury. Both the HOA and Community Management Firm were required to pay six figure costs. The HOA ended up special assessing each member. Workers Compensation coverage is voluntary but essential for homeowner associations to mitigate risks and liabilities.