



INSURANCE SUMMARY FOR COMMON INTEREST COMMUNITIES

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All Common Interest Community Boards are responsible to obtain insurance that meets the requirements of Law and the CC&R'S. There are four basic types of insurance necessary: Liability, Property, Professional and Employer.

Commercial Liability - is normally written at \$1,000,000 per occurrence with a \$2,000,000 total policy limit. General Liability should be broad form which adds the following to the basic coverage: Fire Legal Liability, Contractual Liability, Personal Injury, Host Liquor Liability, Incidental Malpractice, Broad Form Property Damage, Premises Medical, Extended Bodily Injury. In addition to General Liability, other specific coverages must be included. Personal and Advertising Liability - which offers protection for false arrest, libel, slander malicious prosecution, wrongful entry, or wrongful eviction. Products and Completed Operations - insured for claims resulting from the product or services performed generally away from the premises. Non-Owned and Hired Auto - provides protection for autos rented or used on your behalf. This valuable coverage extends to subcontractors and employees on Association business (lawn, pool). The Liability Coverage should be written on an occurrence basis. Liability policies having exclusions such as, nuclear occurrences, war, acts of God, Assault & Battery, Firearms, or intentional acts, will limit coverage. If you have specific hazards such as gates, pools, or playgrounds, an Excess Liability (Umbrella) Policy to increase the limits of insurance should be included.

Property Coverage insures against loss of property owned by the Association. That coverage should be written on the broad (special) form which insures for all risks not specifically excluded with settlement on a replacement basis with an agreed upon value endorsement. The amount of coverage can be written on listed items or on a blanket basis, which is a single limit for all property. Limits are subject to coinsurance, which means a claim can be reduced if the amount of insurance is less than the full value. Most policies contain sub limits for specific items. Check those sub limits, they may be the very items you need to insure: lawns, plants, signs, and walls. Crime, Fidelity, Employee Dishonesty - is a must for a CIC (Federal Mortgage Requirement) and covers the monies owned by the Association from theft by employees, members, or board members. Fidelity should be expanded to cover the Property Manager. Earthquake and Flood - removes the exclusion for those losses. Building Ordinance - adds coverage for the increase costs to comply with new building codes. Theft, vandalism, sewer back-up, and vehicle caused damage should all be added to the basic coverage. Property coverage contains a deductible which is your amount of self-insurance.

Professional Insurance - for a CIC, is called Directors & Officers. D & O is an E & O insurance and provides the coverage for professional acts. This is by far the most misunderstood coverage needed by the Association and Directors. It should be written as a duty to defend on claims made basis with broad named insured. Do not accept a simple policy endorsement such as issued by Allstate, Farmers, or State Farm, as there is little to no coverage. The policy should include all past, present and future Directors, discrimination defense, breach of contract, non-money suits, and prior acts. Cyber Liability- If members of an association have the ability to make payments on-line then the association must maintain as named insured a policy for cyber liability. The amount of coverage needed depends on the number of members. Cyber Liability is an E & O type of insurance, and some D&O policies can include this coverage. Computer Fraud in the Crime/Fidelity Policy does not meet these requirements because that is a property coverage.

Employer Insurance - called Workers Compensation, provides coverage for employment related accidents. The coverage is mandated in accordance by Nevada State Law if you have employees, and extends to subcontractors who may not be insured. Zero Payroll policies are available and recommended for all associations providing employers liability when needed plus volunteer medical and rehabilitation costs when on official association activities.

When choosing insurance, review the offer carefully. The offer should contain a list of the optional coverage added to the basic package. Beware if that is not provided. The insurance policy is a complex written contract. A CIC should use an agent who has a history of writing CIC policies and understands your unique risks. Obtain a list of the associations the agent insures as references.

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