



MAY 2024

NEWSLETTER

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UNDERSTANDING UMBRELLA COVERAGE

Community associations, whether they are condominiums, townhouses, or planned unit developments, are susceptible to numerous risks from lawsuits related to injuries or other accidents on their property. Umbrella or excess liability coverage provides a cost-effective solution for associations to obtain additional liability coverage that surpasses the primary policy limits, serving as a vital safety net for the community. This type of coverage can extend to general liability, directors and officers liability, auto liability, and employers' liability.

Consider a scenario where a slip and fall accident results in severe injuries, and the general liability policy quickly reaches its limits. In such cases, excess liability coverage becomes crucial. This type of policy safeguards a community financially from a potentially devastating lawsuit, which, without such coverage, would financially burden the community. Excess liability coverage is recommended for all associations, but it is particularly vital for communities with higher risk such as large number of units, high foot traffic, or amenities like pools or clubhouses that increase the risk of accidents.

A frequent question from associations concerns whether umbrella coverage extends to building coverage in cases of underinsurance. The answer is no; excess liability coverage does not cover property damage or association funds under policies like crime or fidelity insurance. It only applies to liability policies that are specifically listed, or "scheduled." It's important for associations to understand that not all excess liability policies cover all these types of liabilities, such as directors and officers coverage. Differences in umbrella policy coverage are significant and should be thoroughly discussed with an insurance agent to ensure adequate protection.



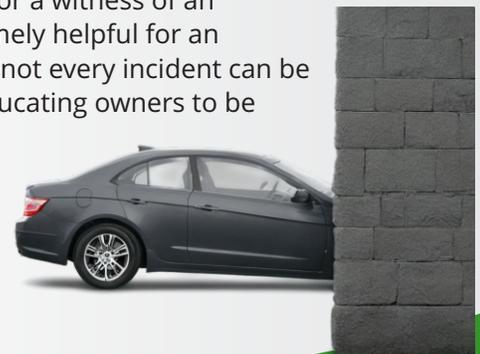
CLAIM CORNER: AUTO COLLISION INTO ASSOCIATION PROPERTY

Sometimes, vehicles cause damage to our community's structures or shared spaces such as fences and retaining walls. It's essential for both the Board and the owners to understand how the association manages these incidents. Generally, such damages are covered by the association's property insurance, though deductibles are applicable. These deductibles can range from \$1,000 for smaller HOAs to over \$10,000 and higher for larger condominiums or homeowner associations that insure the buildings.

If a vehicle causes damage in your community, the Board may file a claim against the vehicle owner's insurance policy for compensation. However, if the vehicle is uninsured, the association may not be able to obtain reimbursement from a third-party insurance company and could be in the

unfortunate situation where the community absorbs these costs. In such scenarios, exploring legal avenues like small claims court could be necessary, although this route may be expensive and time-consuming.

Having video footage or a witness of an incident can be extremely helpful for an association. Although not every incident can be captured on video, educating owners to be more vigilant and prepared can significantly impact how effectively a situation is handled.





OWNERS CURIOUS QUESTIONS:

I recently moved into the association and don't know if I need to get insurance coverage for my unit. Could you advise?

As a new owner, it's important to know what kind of insurance is needed on an individual basis. Homeowners within a community that has shared walls, need to have an HO6 policy. Knowing how much coverage to have will be based on understanding what the association's insurance coverage provides. There are multiple levels of coverage the association can insure and every association could be different. The three most common coverage types are all inclusive, original specifications, and barewalls. Regardless if you as an owner have a mortgage on your unit, you will need to have an HO6 policy because it could ultimately be the association's deductible you are covering or the unit itself. Either way, insurance on the unit owner level is required and this does include landlords.



For new homeowners, understanding their insurance needs on an individual basis is crucial. In communities where homes share walls, such as condominiums or townhouses, having an HO6 policy is essential. Determining the necessary coverage hinges on the extent of the association's insurance coverage, which can vary widely. Associations can differ in coverage levels, including all-inclusive, original specifications, and bare walls policies. Regardless of whether a mortgage is held on the unit, homeowners must obtain an HO6 policy, as it may need to cover the association's deductible or the unit itself in case of damage. This requirement extends to landlords as well. Being under or uninsured can be detrimental financially.

UPDATE OF THE MONTH: EMERGENCY KITS



Preparation is key when it comes to emergencies, and having both home and car emergency kits can be lifesaving. Whether facing unexpected power outages, natural disasters, or finding oneself stranded on the roadside, readiness is crucial for association owners and the Board of Directors, particularly in larger associations with multiple livable units. These kits, encompassing first aid supplies, non-perishable food, water, flashlights, batteries, radios, blankets, personal hygiene, and medical items, are indispensable. While emergency kits vary in size and content, they are available at department stores across the city, ranging from \$30 to \$200. Investing in preparedness is wise, ensuring that kits are fully stocked and items are not expired guarantees their effectiveness when urgency strikes.



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ACT NOW: Community Association Corporate Transparency Act Exemption Delay

Let your voice be heard, click the link to write your legislator.

<https://www.votervoicenet.com/CAI/Campaigns/108066/Respond>

Current Filing Deadline for existing corporations is January 1st 2025