



FEBRUARY 2026 NEWSLETTER

How Incorrect Application Answers turn into Material Misrepresentation and Lost Coverage

Insurance applications are legal documents, and the accuracy of the information provided matters more than many associations realize. Material misrepresentation occurs when information on an application is inaccurate or incomplete in a way that impacts an insurer's underwriting decision. When that happens, the consequences can extend far beyond higher premiums and, in some cases, can result in coverage being voided altogether.

A real-world example shared at a national law and insurance conference illustrated just how serious this risk can be. The case involved a liability claim that reached the excess liability carrier. As part of its coverage determination, the carrier reviewed the original application and focused on questions related to updates made within the community. The association had indicated that updates had occurred within the past 30 years. During the investigation, the carrier researched for permits supporting those statements and found none. The carrier refunded the premium and denied the claim, treating the policy as if it had never existed because of the insured's incorrect information on the application submitted years prior.

This outcome highlights why accuracy on insurance applications is critical, not just for liability but all insurance products. Insurance carriers rely on the information provided by the association to evaluate risk and issue coverage. If that information is later found to be materially inaccurate, even if the error was unintentional, the carrier may have the right to rescind the policy. Intent is often less important than whether the information influenced the underwriting decision.

For this reason, insurance applications should be reviewed carefully before they are signed. We strongly recommend that a Board member review and sign the application, as the Board is ultimately responsible for the information submitted on behalf of the association. When details are unclear or documentation is limited, it is better to disclose that uncertainty rather than make assumptions. This situation commonly arises with building components, particularly those that fall under owner control and may not be fully known to the association. However, obtaining and reporting accurate information is important, as the accuracy of the insurance application can have a significant impact on the community.

Taking the time to verify information before signing an application protects the association long before a claim ever occurs. Accurate applications help ensure coverage responds as expected and prevent costly coverage disputes when the association needs protection the most.



Owners Question

Does making improvements inside my unit change how an insurance claim is handled?



A: Yes, it can. In many communities, the governing documents require owners to notify the Board when improvements exceed a certain scope or value. That information matters because insurance carriers, particularly excess and surplus lines carriers or those that review governing documents during the claims process, may look closely at unit details when determining how a claim is handled. If improvements were made without proper notification or documentation, coverage under the association's policy may be impacted, and the owner may need to rely on their own HO-6 policy, if coverage is available.

In the event of a claim, the owner may be asked to provide proof of what was changed, when the work was completed, and whether approvals were obtained. Keeping permits, invoices, and written approvals on file helps clarify responsibility and can reduce delays or disputes during the claims process.

Coverage Corner: The Boards Involvement in Unit Owner property claims



When a unit owner experiences property damage, the Board does not run the claim, but it needs to be notified of damages and kept updated on any incident that affects the interior of a unit. Often, damage occurs within the unit owner's walls, but if the association has responsibility to insure any portion of that property, the Board must be involved as soon as possible. Early awareness allows the Board to gather information, follow the progress of the loss, and help determine whether the association should file a claim under its master policy or consider handling the situation internally when it makes financial sense, especially when a loss may be near the deductible.

The Board's involvement is to connect with the owner and gather details about the loss. I often advise Boards to discuss claim details with their association's insurance agent to help guide next steps. It is also important to be clear when seeking guidance, as asking questions does not necessarily mean a claim should be opened. When Boards delay becoming involved early in the process, it can slow claim progress and create financial impacts, particularly when portions of the loss are not covered or when construction timelines are affected.

When a management company handles day-to-day operations or coordinates projects, claims handling is not always included in their service agreement. Ultimately, the decision to file a claim rests with the Board and being involved from the beginning helps reduce confusion for the community.

In communities that are not required to carry property coverage, the association may still need to play a role. If the association is responsible for maintaining commonly maintained elements, there is still risk if repairs are not completed properly or brought back to appropriate standards. Poor restoration can create future liability for the association, which is why staying engaged in the process remains important even when insurance is not directly involved.

Update of the Month: Short term capital project planning

This is a point in the year when capital planning deserves more than a quick glance at the reserve study. A closer look at what projects are realistically coming up in the next five years, not just what appears in the long-range schedule, helps the Board understand where timing, funding, or scope may need adjustment. Roof sections, mechanical systems, exterior components, and infrastructure often move faster than expected, and early visibility matters.

A defined five-year outlook is also practical beyond budgeting. When an association can clearly articulate what work is planned, what has been completed, and what is being monitored, it changes the conversation during insurance renewals. Insurers respond to communities that can show intentional planning rather than reactive repairs. That level of detail supports stronger underwriting discussions and reinforces confidence in how the association manages risk and capital over time.



UPCOMING EVENTS

MARCH 05	Central Oregon CAI Topic: Run Your HOA Like a Business 11:30AM-1:00PM
MARCH 20	Western Oregon CAI CA DAY Trade Show 8:30am-3:00PM
APRIL 03	Western Oregon CAI Education Luncheon 11:30am-1:00PM
APRIL 22	Western Oregon CAI Women's Summit Event 9:00AM - 1:00PM

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