

Is Your Association Adequately Insured?

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In a common-interest community that consists of detached dwellings on their own lot, often the insurance only covers the common areas or those areas which are the responsibility of the association. In these kinds of communities, the insurance on the dwelling is the normal home owner's insurance that would be carried on any single family detached dwelling. However, the association insurance should cover the liability of the homeowners for the association's activities as well as the property at the association.

In addition, associations usually carry liability policies on directors and officers in case the board members are sued over their decisions, and an umbrella liability policy to cover catastrophic judgments. Unit owners pay the premiums on all their association insurance as part of their regular assessments.

You have a right to see the association's master policy, which the association generally must supply within thirty days of your request. For a quicker response, ask the insurance company directly for a copy of the building policy. With that and a copy of the association's declaration in hand, your insurance agent can help you determine how much homeowner's insurance you need.

While you are looking at the master insurance policy, ask your agent if the association is adequately insured. Full replacement cost is important, as the victims of Hurricane Andrewⁱ have learned. And if someone is seriously injured on the property and the association's liability policy doesn't cover the judgment, each unit owner could be assessed for a portion of the cost.

Your own homeowner's policy, if broad enough, should protect you against these and other emergency assessments resulting from a casualty or liability loss. Without your own coverage, however, you could be subject to a catastrophic assessment.

Condominium associations typically carry several insurance policies to cover damage to building exteriors and common elements, as well as liability for injuries on the premises.

In a common-interest community containing attached dwellings or dwellings within a single building, most lenders and enabling statutes require a single policy of property insurance covering the entire building or all of the buildings in the project. This policy should not name the unit owners as insureds, but name the association or a trustee as

insured for the benefit of unit owners and their mortgage lenders. In such a community you would only have to purchase property insurance covering your unit's contents, including paint, wall paper, furniture and possibly appliances, carpeting and the customized built-in portions of the unit. Your unit owner's insurance should also include a small amount, from \$1,000 to \$2,500, covering uninsured losses to the overall community.

This coverage would pick up your share of large deductibles in the community association insurance or it may cover losses which are not covered by the association's insurance.

In an attached-unit project, liability insurance should be maintained by the association to cover the entire project. Once again, this liability insurance should not name each unit owner individually as insured, but should name the association as the insured for the benefit of the unit owners. The association policy will cover the unit owner's liability for association activities on the common areas and within the community and other association activities that occur outside of the community for which the unit owner might be liable.

The unit owner's individual policy should cover the unit owner's individual liability for actions such as those which would occur outside the community or negligently undertaken by the unit owner that were not the responsibility of the association.

SOURCE: <https://www.americanbar.org>

ⁱ **List of some of the Costliest U.S. Hurricanes**

- **Hurricane** Andrew (1992): \$47.8 Billion
- **Hurricane** Irma (2017): \$50 Billion
- **Hurricane/Superstorm** Sandy (2012): \$70.2 Billion
- **Hurricane** Maria (2017): \$90 Billion
- **Hurricane** Harvey (2017): \$125 Billion
- **Hurricane** Katrina (2005): \$160 Billion

SOURCE: <https://www.nhc.noaa.gov>