



# Insurance Nuts and Bolts and Claims

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# Property Coverage

- Provides protection against risks to property, such as fire, vandalism and some weather damage



# Property Coverage

- Covers Association-owned/controlled assets
  - **Condominiums/“Townhomes”**:  
Residential buildings and common area
  - **Single Family Home Associations**:  
Applies to common area structures



# Building Valuations

- Many carriers will institute a penalty at the time of loss if the association is under-valued (underinsured). HOA will need to special assess in order to complete rebuilding
  - Co-Insurance
- Many lenders will not fund loans if association is underinsured



# Building Ordinance

- **Coverage A:** Coverage for undamaged portion of buildings
  - Should be up to policy limits
- **Coverage B:** Demolition
- **Coverage C:** Increased cost of construction



# Sewer / Drain Coverage

- Limit should be at least \$100K when it is available
- These losses can add up quickly especially in multi-level complexes
- Average Claim \$10-15K
  - We have seen a claim as high as \$92K



# Workers' Compensation

- Required for Associations with paid employees
- Recommended for Associations with no employees:
  - Covers Volunteer Board and documented committees
  - May cover outside contractors deemed to be employees of Association
  - Very inexpensive (~\$400 per year)



# Protecting Your Portion

- HO-6
  - Real property inside the condominium/attached dwelling
  - Contents
  - Loss of Use
  - Loss Assessment
  - Liability
- HO-3 (PUD)
  - Includes structural coverage





# Directors and Officers (D&O)

- Coverage for wrongful acts, errors and omissions
  - Claims-made policy form (more to follow)



# Umbrella

- Increases limits of an existing policy
- Extends over General Liability
- Often (but not always) extends over Directors and Officers and Work/Comp
- Does not enhance any property coverage



# The Claim Process

- The role of your community manager
  - Point of contact
  - Importance of using professional vendors
  - Collecting payments
  - Paying vendors



# The Claim Process

- The role of your Broker
  - Time management
  - Keep things moving
  - Advocate for the client



# Claims: Common Myths

- Turning in a claim=higher premium
- Paid losses=non-renewals
- Claims=uninsurable



# When In Doubt, Turn It In

- Take the burden off your shoulders
- Don't risk denial
  - Claims made policies
  - D&O coverage



# After The Claim

- This too shall pass
- Find ways to avoid the same loss twice
  - Newsletters
  - Repairs/replacements
  - Loss details



# Directors & Officers Policies

- Directors given statutory immunity if:
- Coverage of \$500k (100 or less units)
- \$1M (larger)
- S1M standard from most insurers





# Directors & Officers Policies

- **Some must-have coverage:**
  - Duty to Defend lawsuits
  - Defense for non-monetary claims (75%)
  - Defense for Breach of Fiduciary Duties



# Directors & Officers Policies

- **Get “duty to defend” coverage:**
- Breach of Contract
- Discrimination
- Inadequate insurance
- But: these won't include “indemnity”



# “Claims- Made” Look Outs

- “Claims Made” policies
- The duty to report
- Reasonable belief of demand \$/Relief
- Claims reported to prior insurer
- Claims reported to subsequent insurer



# D&O and Management

- Managers entitled to indemnity from HOA
- Meet obligation through insurance
- Broker to confirm coverage meets contract
- Make sure the Manager is an “AI”

# Scary Examples!

- Discrimination claims at DFEH/HUD
- Request for Internal Dispute Resolution
- Long documented history of disputes
- Don't hesitate to provide notice
- D&O Insurers “understand” CA disputes

# Questions (and Answers) Be Careful Out There!

