

The Blueprint for Board Member Success

4 STEPS

*To Ensure Comprehensive
Community Insurance Coverage*

Complete Protection Isn't an Option – *It's an Obligation*

It's easy to treat the process of creating a comprehensive insurance plan as just another to-do list task. But for board members, it's a crucial undertaking for fully protecting their associations for two overarching reasons: their duty of care and their duty of loyalty.

The duty of care means that board members must perform all of their duties in good faith, in a way they believe to be in the best interest of the association and with the same care as an ordinarily prudent person. Practical application of the duty of care includes knowing the scope of your authority, carefully reviewing materials presented to you for a decision and using your best judgement. The duty of loyalty means that board members won't use their position to take advantage of the association or anyone else. In practice, it looks like setting aside your personal interests, keeping board business confidential and avoiding conflicts of interest.

Choosing the right types of coverage is a prudent act that puts the community's interests above your own, which makes it a pivotal part of fulfilling these duties to the best of your ability. Take the following four steps in order to ensure comprehensive insurance coverage for your community and achieve complete peace of mind for yourself in the process.

Identify Your Community's Basic Insurance Requirements

1. Identify Your Community's Basic Insurance Requirements

Before taking any action, refer to your governing documents, specifically the Covenants, Codes and Restrictions (a.k.a. CC&Rs or Deed Restrictions) because they will mention any insurance requirements specific to your community. It's also important to check your state laws because some states have additional requirements every community is obligated to meet; California, for example, requires an association with more than 100 units to carry \$2 million in liability coverage to protect homeowners from excess claims.

Becoming aware of these basic insurance standards is only the first step in building an insurance package that will fully protect the association. The next action to take in understanding the scope of your community's insurance obligation is to identify all areas of risk through a process called risk management.

Tip

Create a summary document of insurance requirements to reference when comparing proposals.

Assess Your Community's Risks



2. Assess Your Community's Risks

Risk management involves identifying, analyzing and evaluating potential areas for loss and then implementing methods for mitigating them. Insurance is one way to manage risk, but it's not the only way.

Below are some common areas of risk along with additional options for controlling them.

- **PROPERTY.** Trimming vegetation 30 feet around the perimeter protects buildings from fire; hurricane shutters protect windows from storms.
- **LIABILITY.** Maintaining sidewalks minimizes the opportunity for people to trip and fall.
- **INCOME.** Segregating accounting functions and requiring dual signatures on checks over a certain amount guards against fraud.
- **PERSONNEL.** Conducting safety trainings with all maintenance employees reduces the likelihood of workers' compensations claims.

Your board shouldn't try to complete a risk management assessment independently. To make sure the process successfully identifies every area of risk and all appropriate control methods, work with your community manager, insurance professional and attorney. Their expertise makes them excellent resources.

Match Insurance Products to Your Areas of Risk

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3. Match Insurance Products to Your Areas of Risk

Once you complete the risk review, your team of professionals should help you match each potential risk to insurance products designed to manage those risks in the event of a loss. The chart below is not exhaustive, but will show you how the previously discussed areas of risk could be mitigated with the right types of coverage.

HOW TO MATCH RISKS TO INSURANCE PRODUCTS

RISK TYPE

APPROPRIATE INSURANCE

PROPERTY



PROPERTY COVERAGE: Usually covers common area structures for damage due to fire, vandalism and other defined perils. Specialty coverage is required for damage from floods, earthquakes and hurricanes.

LIABILITY



GENERAL LIABILITY COVERAGE: Protects the association in the event a third party sues on the basis of a claim such as property damage, bodily injury, personal injury or advertising injury.

DIRECTORS AND OFFICERS COVERAGE: Protects board members and possibly people acting as extensions of the board for legal costs incurred as a result of being sued.

INCOME



CRIME AND FIDELITY COVERAGE: Protects the community's money and investments against events unrelated to the management company handling the association's accounting and finances. The management company carries their own crime and fidelity insurance for events related to their systems and processes.

PERSONNEL



WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY COVERAGE: Workers' compensation coverage protects the association from a lapse in a contractor's insurance or a suit from an injured employee of the association or a contractor. Employer's liability coverage protects employers from claims about discrimination, harassment or working conditions.

Partner With an Expert

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4. Partner With an Expert

Among a community manager's many responsibilities, recommending the most qualified professionals to their boards is one of the most crucial - especially when it comes to an insurance provider. Because the functions of community associations are a blend of business, governance and activities, their insurance needs are unique and specialized. That means the qualifications of any partner your board is considering should be, too.

Any recommendation your manager makes should be based on the potential partner's:

- 1) Experience in community association insurance
- 2) Claims processing history
- 3) Participation in professional trade associations
- 4) Professional certifications
- 5) Licensing and bonding

As your board evaluates partners, it's helpful to know that the Community Association's Institute (CAI) extends the Community Insurance and Risk Management Specialist (CIRMS) designation to individuals with extensive education and experience in community association insurance. And the right agent or broker will ensure that the association is adequately insured for every relevant risk. Looking out for these traits will help ensure your community partners with a true expert that will become a valued business partner well into the future.

Ready to learn more about community association insurance?

[Click here to listen to the webinar!](#)

6 Tips for Property Claims Communication

BONUS

Bonus: 6 Tips for Property Claims Communication

When your community has a claim, your board can work to influence behavior for the better, minimize areas of disagreement with your adjuster or carrier and make the overall process smoother with better communication. Bo Bond, CIRMS, senior sales executive for Associations Insurance Agency, Inc., one of Associa's integrated service offerings, has provided the following tips for the next time you have to make a property claim.

- 1. Take action now even if you delay a claim.** Take photos of damage and keep receipts for all mitigation and reconstruction to give the adjuster materials to review and assess later.
- 2. Provide detailed information.** Facts such as the date and location of the loss, property involved in the loss, witness information and statements, parties involved and photos should always be included in the initial claims notice.
- 3. Manage expectations.** A statement of what the board expects from the adjuster or carrier during the claims process can aid in keeping everyone on the same page throughout the whole process.
- 4. Create a discussion list for the adjuster's property visit.** Knowing ahead of time which areas the board and manager feel the adjuster must see may help eliminate multiple visits and prevent missed details.
- 5. Meet the adjuster in person.** Face-to-face time will help separate the association's claim from the dozens of other cases already on the adjuster's desk and allow for discussion of information and expectations.
- 6. Keep a log of all communication.** Good records will eliminate any questions about what was discussed or agreed upon while helping you keep track of the actions each party should be taking.

Read the blog post, "6 Communication Tips for a Smoother Insurance Claim Process" to learn more.

[Click Here to Read Bo's Post!](#)

About the Subject Matter Experts



Debra A. Warren, PCAM®, CCAM®, CMCA®, is the Vice President of Development for Associa. Her career in community association management spans over 25 years, including 15 years of experience as a management firm principal and CEO. She is a nationally recognized expert in association management operations, specializing in education, communication and customer service.



Bo Bond, CIRMS, is the Senior Sales Executive of Associations Insurance Agency, Inc. (AIAI), which is dedicated to meeting the insurance needs of community associations. Bo is a member of Independent Insurance Agents of Texas and CAI, who awarded him his CIRMS designation as a distinguished insurance professional in the community association industry. Bo is licensed in more than 30 states and strives to educate board members and community managers about the insurance decisions they make on behalf of their communities.

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**DEVELOPED BY INDUSTRY PROFESSIONALS.
DESIGNED FOR ASSOCIATION BOARD MEMBERS.**

For nearly 40 years, Associa has been the partner of choice for some of the most complex, innovative and amenity-rich properties in the world. Our best-in-class technology, products and services are designed to add value to your community. And, you'll find that nobody has the expertise we have when it comes to helping you achieve your community's goals. Because of our commitment to community, we've become an industry leader, uniquely positioned to provide actionable insights that deliver results for our client communities.

WHAT REALLY DIFFERENTIATES US, THOUGH, IS OUR PEOPLE. With an A+ BBB rating and nearly 300 employees holding their PCAM® – the highest professional recognition available to community association managers – you can trust that your Associa team has the knowledge and resources to help your community plan, manage, maintain and grow. From our community managers and service partners to our financial professionals, executives and many more, we are committed to helping you achieve your community's vision.

[Click here to request a proposal!](#)