

LOSS ASSESSMENT COVERAGE IS VITAL FOR FINANCIAL SAFETY

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Many homeowners are not aware of additional insurance coverage that is available for their protection *and* is vital for necessary financial safety when living in a common interest development. Loss Assessment Coverage is available at very minimal cost for the protection and peace of mind it provides.

WHAT EXACTLY IS LOSS ASSESSMENT COVERAGE?

Loss Assessment Coverage is an insurance coverage that can be added to your homeowner's policy through your individual insurance agent or broker. Loss Assessment Coverage will pay for certain types of assessments that would be assessed to each unit owner in the event of an insurance loss, where the money for the loss would be either nonexistent or not enough from an insurance company. There are two types of Loss Assessment Coverage:

LIABILITY LOSS ASSESSMENT COVERAGE

In the event that your homeowner association would suffer a liability loss, such as someone being injured on the common area, and the amount of insurance carried by the homeowner association was not sufficient to pay this person's injury, the CC&R's of almost all homeowner association require that the Board make a special assessment to each owner to cover the shortfall of money needed to settle this matter. Remember that if an injury occurs on the common area, you, as the owner of a home within a homeowner association, are responsible for your fair share of that injury.

As an example, an association (condo) had a person severely injured in an accident in the pool several years ago. This individual sued and won a judgment of \$5,300,000 from the homeowner association. Each homeowner in the association owns a portion of that pool and is also liable for anything that happens in the pool or on the common area. The association carried \$2,000,000 of liability insurance and the settlement was \$5,300,000 so they were \$3,300,000 short. There were 100 homes in the development and each unit owner was assessed \$33,000. Three owners were unable to come up with the money, and therefore the board was forced via the CC&R's to place a lien on their property and ultimately ended up foreclosing on two homes.

Even though this example was for a condominium association, the same principle applies to town homes and single family homes. The board of directors will come to the owners to cover any shortage of insurance coverage for liability claims.

By purchasing Liability Loss Assessment Coverage through your individual policy, if your board of directors was to come to you and ask you to pay for an assessment like this, your own insurance company would step in and pay the bill (up to your covered amount) – if you had Liability Loss Assessment Coverage. The cost of this coverage can be as little as \$10 - \$25 per year, providing up to \$50,000 worth of insurance.

EARTHQUAKE LOSS ASSESSMENT COVERAGE

As you may or may not know, we live in a Class A earthquake area (One of the top three in the country). Your individual policy can provide for Earthquake Loss Assessment coverage from those carriers who continue to provide this coverage. Some of the larger carriers have withdrawn their coverage since the big Southern California quake several years ago, but there are many in Nevada who still carry the coverage.

It is recommended that you consider both types of Loss Assessment Coverage for further protection. Please talk to your agent about this coverage. As this author found, your agent may not be aware that the coverage is available. Please have them call their underwriter for verification if they say it is not available. It's worth your time to see what types of loss assessment coverage(s) are available from your carrier for your protection.