

THE LIABILITY OF NOT HAVING ENOUGH INSURANCE

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One of the first questions that a board should ask their insurance Broker/Agent at their annual meeting when discussing coverage is, is their coverage on our policy for us not having “enough” coverage?

If the Board chooses to not get the insurance required under the governing documents and/or Nevada law, but thinks that their Director and Officer insurance will cover them from this type of error, they would be thinking wrong since most policies won't cover the Board for not purchasing required insurance. This must be discussed before the policy is purchased so that the Board understands the liability that they, the association and possibly their families are assuming for deliberately being under insured.

Please look under forms/insurance/insurance checklist 5/2010 for a thorough listing of questions to ask any potential insurance representative of what is or is not covered under their policies. You will be surprised by the answers you will get.

One of the big ones of which you may be unaware if covered vs. covered, meaning if a director sues the association. A lot of insurance does not cover in fighting among directors and/or the association.

Some agents may not even know what their policies cover or don't cover. If they beat around the bush, make them put their answers in writing so that ultimately, the insurance agent's Errors and Omissions Insurance becomes the insurer if they gave you the wrong information.