



INSURANCE PREMIUMS

Because board members and other volunteers can be held personally liable for decisions and actions made on behalf of their associations, Directors and Officers (D&O) Liability insurance is a necessity for community associations.

Who is covered in a D&O policy?

The D&O policy should provide coverage for the following:

- the association,
- all past, present, and future directors, officers, and board members, whether duly elected or appointed,
- committee members,
- association employees,
- any unit owner acting at the direction of the board of directors in a volunteer capacity, and
- developers on the board of directors.

Are managing agents covered?

A managing agent's rider is available to extend D&O insurance to independent management agents. Although most community associations are protected under D&O insurance, the managing agent typically is not. In more and more cases, both the association and the managing agent are named as defendants in lawsuits.

The association may have ultimate responsibility for the managing agent's costs. In fact, many management agreements state that if the managing agent is sued, the association must assume defense and indemnity costs.

What's the bottom line?

Serving as a board or committee member in a community association can be a rewarding experience but can also have far-reaching consequences. Frequently it is difficult to find individuals willing to give their time and energy only to have the added worry of possible legal action. By providing the reassurance that comes from a thoughtfully written D&O policy, a community association will continue to attract qualified volunteer board and committee members.

Check with both legal counsel and your insurance representative to be sure your coverage in this critical area is appropriate. If you have any questions or need further information, please contact Steve Dickerson (703-205-8788 or Steve.Dickerson@usi.biz) or Theresa Melson (703-205-8753 or Theresa.Melson@usi.biz).



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**THE AVERAGE DEFENSE COSTS
FOR DIRECTORS AND OFFICERS
(D&O) CLAIMS ARE IN EXCESS
OF \$100,000.**

IS YOUR ASSOCIATION INSURED?