



# TOWNE PROPERTIES

## INSURANCE

Protecting the association's assets falls under the Board's fiduciary responsibility. Risk management is vital to preserving and safeguarding association assets, and insurance is integral to risk management. Accordingly, the Board must review the association's policies annually to ensure the correct and adequate coverage is in place.

At a minimum, the association must meet the insurance requirements specified in the governing documents. However, with the assistance of the association manager, the Board should also make observations, gather expert opinions, and consider their financial statements when considering additional coverage.

### **Typical types of insurance include the following:**

#### **Liability Insurance**

Liability insurance policies cover legal costs and any legal payouts for which the insured would be responsible if found legally liable. These types of policies typically do not cover intentional damage and contractual liabilities.

#### **Property Insurance**

Commercial property insurance plans vary from policy to policy. Still, they are generally categorized by the type of event leading to a loss and by what is insured.

#### **Umbrella Liability Policy**

Liability policy is designed to protect against catastrophic losses. Generally, umbrella liability coverage kicks in when the liability limits of other insurance are reached.

#### **Directors and Officers (D&O) Liability Insurance – Stand Alone**

D&O coverage protects the association against wrongful acts made by board members or volunteers while serving on behalf of the association. It includes:

- Non-monetary claims
- Wrongful acts
- Breach of contract
- Third-party discrimination

#### **Fidelity Insurance**

Also referred to as employee dishonesty insurance, this coverage protects the association against theft of money, securities, or property from all persons who handle funds on behalf of the association, including management staff and volunteers. The coverage requires three months of assessments + total in reserves, per the Federal Housing Administration.



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## **Workers Comp**

This insurance protects the association against claims made for those injured while performing work on behalf of the association on the property, including employees and third-party contractors. As a result of the injury, the injured person(s) has encountered a loss of pay and is seeking to be compensated by the association for that loss. The association must ensure that any hired contractor, regardless of the number of employees, has this coverage in place.

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