

## Kevin Davis Insurance Services: Nationwide Community Association Insurance Experts

A critical coverage for the 350,000+  
associations across the country



### What is it?

Do you currently write any hotels, property management companies, apartments or commercial condos? If you currently write these accounts, you likely have community association (condominium associations, homeowner associations, commercial condominium associations, etc.) opportunities at your fingertips.

Kevin Davis Insurance Services, an Amwins company, is the leading specialty insurance provider for community associations nationwide. Given the growing management-liability risk involved with community associations, more and more entities recognize the need for protection.



## Directors & Officers Liability

### Overview

Available to protect directors, officers, trustees, employees, volunteers and committee members, as well as the community associations themselves from the various management-liability exposures they face (breach of fiduciary duty, breach of contract, non-employment discrimination, EPLI, wrongful foreclosure, etc.)

### Questions to ask your customer

- Does the Board of Directors have a plan in place when/if they are sued for a wrongful act like failing to fund the reserves, made against them by unit owners?
- What is the strategy for handling allegations of wrongful termination, discrimination, and/or general breach of fiduciary duty?
- Is an independent community management company involved and is coverage provided?

### Claims Scenarios

- **Discrimination:** A unit owner filed a suit against the association and board president regarding the association's refusal to recognize the plaintiffs' handicap and allow her the accommodation of her emotional support service dog. The parties attempted to mediate these claims several times but could not come to a mutually agreeable settlement, so the matter was brought to trial. Despite a favorable decision for the association, defense costs exceeded \$60,000.
- **Theft of personal property:** A unit owner sued the board of a homeowner's association after his personal property was misappropriated during the association's execution of a foreclosure judgment. The suit settled for \$175,000, including legal fees.
- **Breach of contract:** A member of a homeowner's association sued the board over its approval of plans for the construction of a new home that violated the association's zoning regulations and was considered to be "excessive and obtrusive" by the member. The suit settled for \$60,000, including legal fees.





## Crime

### Overview

Crime insurance offers protection to community association boards and their property managers to guard against risks involving Cybercrime, embezzlement, check forgery and theft.

### Questions to ask your customer

- Does the organization have a formal strategy in the event of the following:
  - Employee dishonesty
  - Forgery or alteration
  - Theft of money and securities (inside the premises)
  - Robbery or safe burglary of other property (inside the premises)
  - Computer fraud or restoration
  - Social engineering
  - Funds-transfer fraud

### Claims Scenarios

- **Employee theft:** The maintenance supervisor of a co-op regularly skimmed money generated by coin-operated laundry machines. The total loss to the association equaled \$17,000.
- **Embezzlement:** During a large-scale renovation project, the manager of a co-op altered checks intended for an approved contractor to the name of a construction firm owned by her husband. She then altered reporting documents to cover the checks. The total loss to the association equaled \$140,000.
- **Social engineering fraud:** An association's property manager, acting as its designated agent, receives an email from someone posing as a longtime client. The email advises of a change to the "client's" banking information. The property manager wires the next payment to the impersonator's bank account. The total loss to the association equaled \$8,700.

### Overview

Community associations are popular targets for cyber theft because they collect money, save detailed information about unit owners, and tend to have less sophisticated security measures than larger organizations. Cyber risk coverages protect against financial losses associated with cyberattacks and data breaches.

### Questions to ask your customer

- Does the organization have a formal cybersecurity strategy to maintain data security?
- How does the organization store sensitive data? Physically or electronically?
- Does the community association have detailed guidelines for device management?
- Does the association have a risk-assessment plan to identify system vulnerabilities?
- How does the organization plan to respond in the case of a security incident?

### Claims Scenarios

- **Data breach:** The home computer system of a community association treasurer is compromised when a third party sends a malware program via email. The invasive software allows the third party to access the system and capture files on each resident, including names, addresses, and Social Security numbers.
- **Stolen Laptop:** A community association board member's laptop containing the residents' private contact information is stolen from his car. As a result, residents sued for damages resulting from the alleged failure to protect their confidential information.

### Overview

Excess liability coverage that provides an association with coverage over and above the primary underlying policies, specifically – D&O, commercial auto, employer's liability or general liability.

### Questions to ask your customer

- Do your clients know that, based on the current market demands, community associations should have excess coverage to fully protect the assets of the community?
- Do the community association's underlying policies fully cover the potential exposures in the event of negligence, disasters, and mismanagement?

### Claims Scenarios

- **Lawsuit Settlement:** An HOA has a general liability policy with a \$1 million limit but faces a lawsuit and settlement of \$10 million for a drowning in a lake that was not part of the community association's territory. Fortunately, the HOA had an excess liability policy that increased the limit to \$10 million, giving the group enough money to pay the settlement.