



# Community Association Directors and Officers Management Liability

Our Directors and Officers Liability product is designed to meet the unique coverage needs of homeowners and condominium associations.

## Eligible Classes:

- ▶ Homeowners associations
- ▶ Townhome associations
- ▶ Condominium associations
- ▶ Planned unit developments
- ▶ Mobile home parks
- ▶ Office parks
- ▶ Cooperatives (except in New York)
- ▶ Retail associations

## Product Features:

- ▶ Defense costs unlimited outside the limit of liability
- ▶ Duty to defend with affirmative 100 percent allocation wording
- ▶ Defense for Breach of Contract
- ▶ Coverage for both monetary and non-monetary claims
- ▶ No exclusion for failure to maintain insurance claims (where available)
- ▶ Lifetime Occurrence Reporting Provision
- ▶ Manager/Management company automatically named as an additional insured
- ▶ Defense and Settlement Provision (hammer clause) – 75/25 in favor of the insured
- ▶ Carve backs to Insured vs. Insured exclusion
- ▶ Punitive damages with most favorable venue wording included automatically (where insurable by law, not available in Alabama and West Virginia)
- ▶ Full prior acts coverage
- ▶ Employment practices liability included for no additional premium for 10 employees or less
- ▶ Third party discrimination and third party harassment coverage (applicable classes)
- ▶ Data & Security+ sublimit included free of charge

## Limits of Liability:

Limits available up to \$5,000,000

## Additional Advantages:

- ▶ Financial stability of a carrier rated A++ by A.M. Best
- ▶ Specialized claims unit with expertise in professional and management liability
- ▶ Unsurpassed service with a sense of urgency and care
- ▶ Policyholders have access to many free and discounted services through our Business Resource Center that will assist in growing and protecting their associations
- ▶ Free access to eRisk Hub®, an online cyber risk management tool with breach coaches, HIPAA resources and security
- ▶ Free human resources consultation helpline with unlimited calls and no time limits plus an online human resource center





## Community Association Product

### Claims Examples – Directors and Officers

- ▶ **Mismanagement of Funds:** A community association board of directors makes assessments on its homeowners to cover unforeseen costs instead of collecting monthly dues. The board does not believe in holding a large reserve of assets. The bylaws mandate that each owner comply with the decision of the board. One homeowner ignored the numerous requests from the board to pay the assessment. Finally, a lien was placed against the property. The homeowner counter-sued the board of directors alleging mismanagement of funds as well as libel and slander for printing his name in the association newsletter for being delinquent.
- ▶ **Defense of Breach of Contract:** The community association board entertained bids by companies to waterproof the deck around their pool. The contract was worth approximately \$120,000. ABC Company submitted the lowest bid and was told the work would have to be started in three months and completed in two weeks. ABC Company bought a performance bond, blocked off the necessary time and, in so doing, refused to take other jobs. The board was having other work done around the pool and encountered problems. A week before ABC Company was to begin work, the board notified them they couldn't start and it might be another three months before the could come on the site. ABC Company sued the board for breach of contract.
- ▶ **Challenging the Authority of the Board:** A homeowner presented plans to build a home on a corner lot. The community association board affirmed the plan based on the plan's presentation of the driveway coming out on the street in front of the house. During the process of building the home, the homeowner changed the plans, which caused the driveway to come out onto the street closest to the garage. The board threatened them with a cease and desist letter citing the bylaws requiring prior approval of the plans. The homeowner sued the board claiming the board did not have the authority to tell the homeowner where their driveway can be placed.
- ▶ **Compliance of Laws:** The community association board has a "no pets" rule. The neighbors of a unit owner complained to the board that the no pet policy was not being enforced. They have seen a cat in the window of the unit next door. The board, wanting to abide by their bylaws enforces the rule and sends a letter reminding the unit owner that no pets are allowed. The unit owner denies having a pet, and periodically the neighbors continue to make similar complaints. The board advises the management company to write a letter to the owner advising to get rid of the cat or face a daily fine. The owner admits she has a cat, but needs it for therapy for her disability of depression and in turn asks for a reasonable accommodation under the Americans with Disabilities Act. The board requests a medical note, and the board rejects the note that is submitted and states it is not enough documentation to make an exception to the rules. The owner produces a note from a local clinic signed by a third year resident. At the time she presents the note she also files a claim of discrimination with the State Human Rights Commission (HRC). The HRC concludes that under the guidelines, once the owner produced the note, the board was in violation to continue any fines or attempts to collect the fines. The HRC awarded damages to the owner and the board was left with hefty legal bills.
- ▶ **Non-Monetary:** A homeowners association held an election to vote in a new board of directors. A total of seven candidates were running for five positions on the board. It was identified that there was a discrepancy between the total number of votes and the total number of eligible voting members. Subsequently, a recount was performed and it was discovered that 20 votes were ineligible due to the members being in arrears of their dues. The petitioners challenged the validity of votes stating that a member in arrears is ineligible to vote. The board stood by their decision to allow all members to vote as they felt the bylaws were not clear. The members challenged the board's decision by bringing a lawsuit demanding the amendment of the bylaws, clarification of the voting process as well as election of the individuals that would have won without counting the ineligible votes. The board did not prevail with their interpretation of the bylaws as well as the current election. As part of the settlement agreement, they were to re-write the bylaws and change their voting process. It took over a year in litigation with ample defense expense to come to a resolution.



## Community Associations

The all-in-one policy designed for homeowner, townhome and residential condominium associations including directors and officers liability, employment practices liability, general liability, property insurance, umbrella policy, and crime policy.

### Why does your Community Association need to purchase all of these coverages?

- ▶ Community associations are sued by their employees, committee members and volunteers
- ▶ Over 60 percent of the claims against these associations are related to non-monetary issues
- ▶ Community associations have an annual budget that is often less than the average cost to defend a claim closed by litigation
- ▶ Single dwelling homeowner associations require general liability and property coverage for common areas
- ▶ Many condominium and homeowner associations are looking for additional liability limits offered through our umbrella policy

### Why choose USLI's Community Association Package:

- ▶ Maximize efficiency: One application, quote, underwriter, policy, renewal, and carrier for all claims, with one concurrent effective date

The following are important coverages to have in your policy. Check to make sure you have all of these features:

COVERAGE FEATURES	USLI	COMPETITORS
Manager/Management company automatically named as an additional insured		
Defense outside the limit of liability		
Non-monetary and breach of contract coverage offered under director's and officers liability		
No exclusion for libel, slander, or defamation under directors and officers liability		
Mental anguish and emotional distress included in the general liability definition of bodily injury		
No general liability deductible		
Property with an outdoor enhancement endorsement		
Umbrella policy excess of general liability, hired and non-owned auto and directors and officers liability		

### Why choose to be insured with USLI?

- ▶ One of only 20 A++ rated insurance groups in the United States by A.M. Best.
- ▶ A proud member of the Berkshire Hathaway Group, recently voted the #1 most admired Property & Casualty Company in the world (Fortune Magazine).

Insure your financial well-being with a stable company that will be there to pay your claim.



CARRIER:

Empty box for carrier information

# Community Association Directors and Officers Liability Application – All States

*This application is for a Claims Made policy.*

APPLICANT MAY QUALIFY FOR AN INSTANT QUOTE BY COMPLETING SECTION I BELOW. SECTION II ANSWERS WILL BE REQUIRED PRIOR TO BINDING AND ARE SUBJECT TO UNDERWRITING APPROVAL.

## I. INSTANT QUOTE INFORMATION

*Instant quote is not available for accounts with losses in the past five years. If there is loss history, please complete Section I and submit details in a claim supplement.*

Applicant's name: \_\_\_\_\_

Location address: \_\_\_\_\_  Same as mailing address

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

E-mail address of primary contact: \_\_\_\_\_

Type of association:  Residential condo  Homeowner  Office/Industrial park  Cooperative  Retail  Master  
 Mobile home park  Planned unit development  Property owner  Condo-Hotel  Timeshare  Townhome

Total number of units when construction is complete: \_\_\_\_\_ Number of employees: \_\_\_\_\_

Does the association have retail occupancy?  Yes  No

If "Yes," what percentage of units are retail? \_\_\_\_\_ % Square footage of largest retail establishment? \_\_\_\_\_ sq. ft.

Percentage of total units sold: \_\_\_\_\_ %

If applicant is a residential association, what is the average unit value: \$ \_\_\_\_\_

## II. DIRECTORS AND OFFICERS UNDERWRITING INFORMATION

1. Does the builder/developer or agent maintain representation on the board?  Yes  No

If "Yes," has control of the board been turned over to the association?  Yes  No

2. Are any units rented or leased by the Association or by individual unit owners?  Yes  No

If "Yes," what percentage of units are rented or leased? \_\_\_\_\_ %

Are any units short-term or vacation rentals?  Yes  No

3. Does the association own, maintain or have an affiliation with:

a. A golf course or country club  Yes  No

If "Yes," does the golf/country club have a separate board or is it separately managed?  Yes  No

b. Water treatment facility?  Yes  No

c. Airport/airstrip or sewage treatment facility?  Yes  No

4. Does the association have a negative fund balance?  Yes  No

5. Expiring Information: Carrier: \_\_\_\_\_ Limits: \_\_\_\_\_ Retention: \_\_\_\_\_ Premium: \_\_\_\_\_

*Attach a statement of details for all "Yes" answers to the following questions*

6. Does any one person/entity own multiple units?  Yes  No

If "Yes," what is the greatest percentage of units owned by one person/entity? \_\_\_\_\_ %

7. Within the last 24 months have any of the following occurred:

a. Has the association completed a foreclosure sale against an owner?  Yes  No

b. Have there been any challenges to board elections, covenants, or by-laws?  Yes  No

c. Has the board initiated litigation for reasons other than collection of dues or fees?  Yes  No

8. a. Within the last five years, has any inquiry, complaint, notice of hearing, claim or suit been made against the applicant, or any person proposed for Insurance in the capacity of director, officer, trustee, employee or volunteer of the applicant?  Yes  No

*If "Yes," complete USLI Claim Supplement for each claim*

b. Is any person(s) proposed for this insurance aware of any fact, circumstance or situation which may result in a claim against the applicant or any of its directors, officers, trustees, employees or volunteers?  Yes  No

*If "Yes," complete USLI Claim Supplement for each claims.*

9. Has any policy for directors and officers or employment practices liability ever been cancelled or non-renewed?  Yes  No

*Do not answer if applicant is located in Missouri.*

**III. OPTIONAL CRIME COVERAGE UNDERWRITING INFORMATION** (For consideration of a separate loss sustained policy)

**Organization Background**

10. Has the association been in operation for more than two years?  Yes  No
11. Are there sources of income other than dues, assessments and investments? If "Yes," please explain.  Yes  No

**Insurance Information**

12. Does the organization have crime coverage?  Yes  No  
Carrier name : \_\_\_\_\_ Policy period: \_\_\_\_\_ Limits carried: \_\_\_\_\_  
First year of continuous coverage: \_\_\_\_\_ Premium: \_\_\_\_\_ Deductible: \_\_\_\_\_
13. Does the association have a property manager?  Yes  No  
If "Yes," does the property manager carry insurance for employee theft?  Yes  No  
If "No," does the association segregate duties so no one person has access to or processes an entire transaction?  Yes  No

**Organization Operation Details**

14. Does the association have an annual financial statement prepared?  Yes  No
15. Is the association's bank account(s) reconciled by someone other than the person also authorized to withdraw, deposit or transfer funds? (e.g. quarterly, semi-annually, annually)  Yes  No
16. Do checks written by the association require a countersignature?  Yes  No  
In excess of \$ \_\_\_\_\_

**Claim Information**

17. Within the past five years, have there been any incidents, occurrences or claims for theft, embezzlement, larceny, robbery, unlawful taking or other forms of dishonesty involving the proposed named insured or any person proposed for this insurance? *If "Yes," please advise by separate attachment.*  Yes  No
18. Is any person proposed for this Insurance aware of any fact, circumstance, or situation that may give rise to a claim by other forms of dishonesty involving the proposed named insured or any person proposed for this insurance? *If "Yes," please provide full details by separate attachment.*  Yes  No

**IV. ADDITIONAL APPLICANT INFORMATION**

Applicant's mailing address:  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

**FRAUD STATEMENTS**

**Alabama, Arkansas, District of Columbia, New Mexico, Rhode Island and West Virginia:** Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

**Colorado Fraud Statement:** It is unlawful to knowingly provide false, incomplete, or misleading facts or information to an insurance company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policyholder or claimant for the purpose of defrauding or attempting to defraud the policyholder or claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado division of insurance within the department of regulatory agencies.

**Florida Fraud Statement:** Any person who knowingly and with intent to injure, defraud, or deceive any insurer files a statement of claim or an application containing any false, incomplete, or misleading information is guilty of a felony of the third degree.

**Kansas Fraud Statement:** Any person who, knowingly and with intent to defraud, presents, causes to be presented or prepares with knowledge or belief that it will be presented to or by an insurer, purported insurer, broker or any agent thereof, any written, electronic, electronic impulse, facsimile, magnetic, oral, or telephonic communication or statement as part of, or in support of, an application for the issuance of, or the rating of an insurance policy for personal or commercial insurance, or a claim for payment or other benefit pursuant to an insurance policy for commercial or personal insurance which such person knows to contain materially false information concerning any fact material thereto; or conceals, for the purpose of misleading, information concerning any fact material thereto; or conceals, for the purpose of misleading, information concerning any fact material thereto may be guilty of a crime and may be subject to fines and confinement in prison.

**Maine Fraud Statement:** It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties may include imprisonment, fines or a denial of insurance benefits.

**Maryland Fraud Statement:** Any person who knowingly or willfully presents a false or fraudulent claim for payment of a loss or benefit or who knowingly or willfully presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

**New Jersey Fraud Statement:** Any person who includes any false or misleading information on an application for an insurance policy is subject to criminal and civil penalties.

**Oklahoma Fraud Statement:** WARNING: Any person who knowingly, and with intent to injure, defraud or deceive any insurer, makes any claim for the proceeds of an insurance policy containing any false, incomplete or misleading information is guilty of a felony.

**Oregon Fraud Statement: Notice to Oregon applicants:** Any person who, with intent to defraud or knowing that he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement may be guilty of insurance fraud.

**Kentucky, Pennsylvania AND Ohio Fraud Statement:** Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.

**Tennessee, Virginia and Washington Fraud Statement:** It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines and denial of insurance benefits.

**Fraud Statement (All Other States):** Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

**STATE NOTICES**

**Arizona Notice:** Misrepresentations, omissions, concealment of facts and incorrect statements shall prevent recovery under the policy only if the misrepresentations, omissions, concealment of facts or incorrect statements are; fraudulent or material either to the acceptance of the risk, or to the hazard assumed by the insurer or the insurer in good faith would either not have issued the policy, or would not have issued a policy in as large an amount, or would not have provided coverage with respect to the hazard resulting in the loss, if the true facts had been made known to the insurer as required either by the application for the policy or otherwise.

**Florida Surplus Lines Notice:** (Applies only if policy is non-admitted) You are agreeing to place coverage in the surplus lines market. Superior coverage may be available in the admitted market and at a lesser cost. Persons insured by surplus lines carriers are not protected under the Florida Insurance Guaranty Act with respect to any right of recovery for the obligation of an insolvent unlicensed insurer.

**Florida and Illinois Punitive Damage Notice:** I understand that there is no coverage for punitive damages assessed directly against an insured under Florida and Illinois law. However, I also understand that punitive damages that are not assessed directly against an insured, also known as "vicariously assessed punitive damages", are insurable under Florida and Illinois law. Therefore, if any Policy is issued to the Applicant as a result of this Application and such Policy provides coverage for punitive damages, I understand and acknowledge that the coverage for Claims brought in the State of Florida and Illinois is limited to "vicariously assessed punitive damages" and that there is no coverage for directly assessed punitive damages.

**Maine Notice:** The insurer is not permitted to withdraw any binder once issued, but a prospective notice of cancellation may be sent and coverage denied for fraud or material misrepresentation in obtaining coverage. A policy may not be unilaterally rescinded or voided.

**Missouri & Rhode Island Disclosure Notice:** I understand and acknowledge that if a \$100,000 or \$250,000 Limit of Liability is chosen or if the Insured Organization has more than 200 employees, that Defense Costs are a part of the Limit of Liability. This means that Defense Costs will reduce my limits of insurance and may exhaust them completely and should that occur, I shall be liable for any further legal Defense Costs and Damages. Defense Costs are as defined in Section III. I also understand that the Limit of Liability for the Extended Reporting Period, if applicable, shall be a part of and not in addition to the limit specified in the Policy Declarations.

**Minnesota Notice:** Authorization or agreement to bind the insurance may be withdrawn or modified only based on changes to the information contained in this application prior to the effective date of the insurance applied for that may render inaccurate, untrue or incomplete any statement made with a minimum of 10 days' notice given to the insured prior to the effective date of cancellation when the contract has been in effect for less than 90 days or is being canceled for nonpayment of premium.

**New York Disclosure Notice:** This policy is written on a claims made basis and shall provide no coverage for claims arising out of incidents, occurrences or alleged Wrongful Acts or Wrongful Employment Acts that took place prior to retroactive date, if any, stated on the declarations. This policy shall cover only those claims made against an insured while the policy remains in effect for incidents reported during the Policy Period or any subsequent renewal of this Policy or any extended reporting period and all coverage under the policy ceases upon termination of the policy except for the automatic extended reporting period coverage unless the insured purchases additional extend reporting period coverage. The policy includes an automatic 60 day extended claims reporting period following the termination of this policy. The Insured may purchase for an additional premium an additional extended reporting period of 12 months, 24 months or 36 months following the termination of this policy. Potential coverage gaps may arise upon the expiration for this extended reporting period. During the first several years of a claims made relationship, claims-made rates are comparatively lower than occurrence rates. The insured can expect substantial annual premium increases independent overall rate increases until the claims-made relationship has matured.

**Ohio Representation Statement:** By acceptance of this policy, the Insured agrees the statements in the application (new or renewal) submitted to the company are true and correct. It is understood and agreed that, to the extent permitted by law, the Company reserves the right to rescind this policy, or any coverage provided herein, for material misrepresentations made by the Insured. It is understood and agreed that the statements made in the insurance applications are incorporated into, and shall form part of, this policy. THE INSURED UNDERSTANDS AND AGREES THAT ANY MATERIAL MISREPRESENTATION OR OMISSION ON THIS APPLICATION WILL ACT TO RENDER ANY CONTRACT OF INSURANCE NULL AND WITHOUT EFFECT OR PROVIDE THE COMPANY THE RIGHT TO RESCIND IT.

**Utah Punitive Damages Notice:** I understand that Punitive Damages are not insurable in the state of Utah. There will be no coverage afforded for Punitive Damages for any Claim brought in the State of Utah. Any coverage for Punitive Damages will only apply if a Claim is filed in a state which allows punitive or exemplary damages to be insurable. This may apply if a Claim is brought in another state by a subsidiary or additional location(s) of the Named Insured, outside the state of Utah, for which coverage is sought under the same policy.

**Virginia Notice:** This Policy is written on a claims-made basis. Please read the policy carefully to understand your coverage. You have an option to purchase a separate limit of liability for the extended reporting period. If you do not elect this option, the limit of liability for the extended reporting period shall be part of the and not in addition to limit specified in the declarations. If you have any questions regarding the cost of an extended reporting period, please contact your insurance company or your insurance agent. Statements in the application shall be deemed the insured's representations. A statement made in the application or in any affidavit made before or after a loss under the policy will not be deemed material or invalidate coverage unless it is clearly proven that such statement was material to the risk when assumed and was untrue.

If your state requires that we have information regarding your Authorized Retail Agent or Broker, please provide below.

Retail agency name: \_\_\_\_\_ License #: \_\_\_\_\_

Agent's signature: \_\_\_\_\_ Main agency phone number: \_\_\_\_\_  
(Required in New Hampshire)

Agency mailing address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

The signer of this application acknowledges and understands that the information provided in this Application is material to the Insurer's decision to provide the requested insurance and is relied on by the Insurer in providing such insurance. The signer of this application represents that the information provided in this Application is true and correct in all matters. The signer of this Application further represents that any changes in matters inquired about in this Application occurring prior to the effective date of coverage, which render the information provided herein untrue, incorrect or inaccurate in any way will be reported to the Insurer immediately in writing. The Insurer reserves the right to modify or withdraw any quote or binder issued if such changes are material to the insurability or premium charged, based on the Insurer's underwriting guides. The Insurer is hereby authorized, but not required, to make any investigation and inquiry in connection with the information, statements and disclosures provided in this Application. The decision of the Insurer not to make or to limit any investigation or inquiry shall not be deemed a waiver of any rights by the Insurer and shall not estop the Insurer from relying on any statement in this Application in the event the Policy is issued. It is agreed that this Application shall be the basis of the contract should a policy be issued and it will be attached and become a part of the Policy.

**New York Fraud Statement:** Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.

Applicant's signature: \_\_\_\_\_

Title: \_\_\_\_\_  
Officer of the Board or Property Manager

Date: \_\_\_\_\_