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Please Note: All legislative references are current as of the date of this publication,

September 22, 2011.

***Please read the latest version of NRS 116 at
<http://www.leg.state.nv.us/nrs/NRS-116.html>***

***and the latest version of NAC 116 at
<http://www.leg.state.nv.us/nac/NAC-116.html>***

***and check the Real Estate Division's website at
<http://www.red.state.nv.us/>***

before using any of these references.

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Risk Management

DCAL

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Agenda

- 40 min Risk Control
- 10 min Break
- 60 min Risk Transfer (Insurance)
- 10 min Break
- 50 min Understanding Risk Management



Risk Management

1. Risk Control
2. Insurance
3. Special Assessment

You are already fully covered !



The Four Exposures to Loss

- 1. Damage to Property
- 2. Liability (Injury)
- 3. Misappropriation of Funds
- 4. Loss of Income

The Board is ultimately responsible.

If it is not covered by insurance,
you are self-insured!



Top 4 Insurance Claims

- 1. Trip & Falls
- 2. Gates
- 3. Misappropriation of funds
- 4. Water

*What can the board do to
avoid these claims?*



Risk Control

- Exposure Avoidance
- Loss Prevention
- Loss Reduction
- Segregation of Exposures
- Contractual Transfer



Controlling Property Loss

Real Property (not movable)

- Identify in Governing Documents
- Regular Inspections
- Reserve Study (Experts)
- Proper Maintenance



Controlling Property Loss

Personal Property (movable)

- Furniture, Equipment & Appliances
 - Reserve Study
 - Inventory
 - Proper Maintenance
 - Cameras/alarms
- Books & Records
 - Backing Up Data
 - Record Storage



Top 3 Carrier Recommendations

1. Cut trees away from buildings
2. Repair pot holes in parking lots
3. Repair uneven walkways



Controlling Liability

- Use of Common Area
 - Rules & Regulations
- Steps
 - Paint
 - Rails
- Landscaping
 - Low Branches
 - Types of Plants
 - Watering in Winter



Controlling Liability

- Pools
 - Gates & Latches
 - Fencing
 - Signage
 - Emergency Equipment
 - 911 Phone
 - Rules & Regulations
 - Strict Clark County Regulations



Controlling Liability

- Sidewalk Cracks
- Vehicle Gates
 - Sensors
- Keeping Up with Routine Maintenance
- Signage
 - Photos with dates



Controlling Liability

- Vendors
 - Require Copies of Licenses & Insurance
 - Verify Insurance
- Libel
 - Written or Printed Words
 - Pictures
- Slander
 - Spoken Words
 - Behavior



Controlling Liability

- Board Responsibilities
 - Open Meetings & Communication
 - Enforcing Rules Uniformly
 - Treat Owners with Respect
 - Ethical Conduct
 - Ethics DCAL Class



Misappropriation of Funds

- Review Financial Statements
 - See page 21 in Supplementary Materials
 - Finances in the CIC DCAL Class
- Segregation of Duties
- Security Measures by Management
 - Who can access your accounts?
 - Firewalls & Backup
 - Personal Use of Management Computers



Loss of Income

- Collection Policy
- Following Up on Collections
- Budget Issues
 - Budgeting for Bad Debt
 - Budgeting Enough for Proper Operating & Reserve Expenses
 - Contingency Line Item in Budget
(amount of insurance deductible)



Other Ways to Prevent Loss

- Written Policies
- Regular Inspections
- Annual Insurance Meeting
 - With Agent
 - Walk the Property
 - Update Reserve Study
- Emergency Plan
- Minimizing Loss after it Occurs



Break

Please return to your seat
In 10 Minutes



Insurance Professionals

- Broker
- Agent
- Underwriter
- Adjuster



Insurance Professionals

- Getting 3 Bids
- Designations
 - CIRMS (Community Associations Institute)
 - CPCU
 - ARM
 - AIS
 - CISR
 - CIC



Transferring the Risk - Insurance

- Most Common Types of Insurance in CICs
 - Property
 - Liability
 - Directors & Officers
 - Crime Policy (Fidelity Bond)
 - Workers Comp



What Insurance Do You Need?

- Check your Governing Documents!
- PUD vs. Condominium
- Check Reserve Study for Values
- NRS 116.3113
 - Property Insurance
 - Commercial General Liability
 - Crime Insurance (Fidelity Bond)
- Workers Comp
- See page 25 in Supplementary Materials



Insurance Terms

- See page 22 in Supplementary Materials
- Claims Made vs. Occurrence
- Endorsements & Exclusions
- Deductibles, Split Deductibles
- Subrogation clause



Certificate of Insurance

See page 26 in Supplementary Materials



Who is Insured?

- Association
- Directors
- Additional Insureds
- Owners



Property Insurance

- Real Property
- Per Occurrence
- Coverage
 - Guaranteed Replacement Cost
 - Replacement Cost
 - Actual Cash Value
- Forms
 - Basic
 - Broad
 - Special



Property Insurance

- Full Coverage vs. Bare Walls
- Deductibles
 - Who pays?
 - How Much?
 - Increasing Deductible to reduce claims
 - Budgeting for Deductible
 - Board Resolution for Deductibles
- Co-Insurance



Property Insurance

- Unique Property
- Possible Endorsements
 - Building Ordinance or Law
 - Earthquake or Flood Insurance
 - Inland Marine
- What is NOT covered
 - Glass (less than the deductible)
 - Lack of Maintenance



Commercial General Liability

- Civil Liability
- Tort Liability
- Vicarious Liability
- Association Core Activities
- Duty to Defend
- Usually Occurrence Triggered



Commercial General Liability

- Bodily Injury & Property Damage Liability
- Personal Injury & Advertising Injury
- Medical Payments
- Occurrence Limit
 - Different definition of the word Occurrence
- General Aggregate



Commercial General Liability

- Other Liability Insurance
 - Hired & Nonowned Vehicles
 - Umbrella vs. Excess Coverage
 - Police/Security Guard Liability
 - Employee Benefits Liability
 - Employment Practices
 - Pollution Liability



Commercial General Liability

- Common Exclusions
 - Wrongful purchase of insurance
 - Nonmonetary damages
 - Contractual liability
 - Discrimination & Civil Rights claims
 - Developer Board Members



Directors & Officers Liability

- Defense Costs for Claims
- Claims Made
 - vs. Occurance
 - Tail coverage
- Lawsuits between board members



Directors & Officers Liability

- Who is covered?
 - Board
 - Committee Members
 - Volunteers
 - Employees
 - Community Manager
 - Management Company
 - Anyone within the Association acting on behalf of the Board of Directors



Common D&O Claims

- Board's failure to adhere to the Governing Documents
- Board's failure to properly notice elections
- Board's failure to properly count votes/proxies
- Challenges by members regarding power granted the Board by Governing Documents
- Improper removal of Board Members
- Challenges to the assessments



Common D&O Claims

- Approval of variances
- Breach of fiduciary duty
- Decisions of the Architectural Committee
- Challenges regarding easements
- Board's failure to maintain common areas
- Board's failure to properly disburse funds
- Defamation by the Board of a member



Crime Policy

- Crime Policy / Fidelity Bond
 - NRS 116.3113(1)(c): No conviction requirement
- Protects the Association from dishonest acts committed by employees or contractors (including board members and management company) who have access to funds or property of the Association.



Crime Policy

- FNMA Requirement: 3 times monthly assessments, plus reserve account
- Management company should be an additional insured on Association policy
- Management companies should also have a bond protecting them from their employees.



Umbrella vs. Excess Liability

- Umbrella may provide additional coverage that is not provided in the liability policy
- Excess liability provides higher limits on what the liability policy already covers
- Retention – if the Umbrella provides coverage that is not provided in the underlying liability.
- SIR (Self-insured retention)



Workers Compensation

- Job-related injuries
- Why an association without employees should have Workers Comp
 - Association can be liable when a contractor's policy is cancelled or expired
 - Board & committee members volunteering



Owner Insurance

- HO-1,2,3,5 & 8 – Homeowners Insurance
- HO-4 – Renters Insurance
- HO-6 – Condominium owner policy
- Endorsements:
 - Loss Assessment
 - Rented to Others



Break

Please Return in 10 Minutes



Insurance Discussion Questions

The following scenarios are real cases.

As a class, discuss which policy covered (and/or did not cover) the associations' losses and why that policy covered it.



Insurance Discussion Questions

Answers could be:

1. Property Coverage (PC)
2. General Liability (GL)
3. Directors & Officers (DO)
4. Crime/Fidelity Bond (F&C)
5. Umbrella Liability (U)
6. Homeowner's Policy (HO)
7. None of the above



Question A

The clubhouse burns down.

Which policy (if any) covered this?



NRS 116.3113 Insurance: General requirements.

1. Commencing not later than the time of the first conveyance of a unit to a person other than a declarant, the association shall maintain, to the extent reasonably available, both of the following:

(a) Property insurance on the common elements and, in a planned community, also on property that must become common elements, insuring against all risks of direct physical loss commonly insured against or, in the case of a converted building, against fire and extended coverage perils. The total amount of insurance after application of any deductibles must be not less than 80 percent of the actual cash value of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations and other items normally excluded from property policies.

(b) Liability insurance, including insurance for medical payments, in an amount determined by the executive board but not less than any amount specified in the declaration, covering all occurrences commonly insured against for death, bodily injury, and property damage arising out of or in connection with the use, ownership, or maintenance of the common elements and, in cooperatives, also of all units.

2. In the case of a building that is part of a cooperative or that contains units having horizontal boundaries described in the declaration, the insurance maintained under paragraph (a) of subsection 1, to the extent reasonably available, must include the units, but need not include improvements and betterments installed by units' owners.

3. If the insurance described in subsections 1 and 2 is not reasonably available, the association promptly shall cause notice of that fact to be hand-delivered or sent prepaid by United States mail to all units' owners. The declaration may require the association to carry any other insurance, and the association in any event may carry any other insurance it considers appropriate to protect the association or the units' owners.

4. An insurance policy issued to the association does not prevent a unit's owner from obtaining insurance for the unit's owner's own benefit.

(Added to NRS by 1991, 565)

NRS 116.31133 Insurance: Policies; use of proceeds; certificates or memoranda of insurance.

1. Insurance policies carried pursuant to NRS 116.3113 must provide to the extent reasonably available that:

(a) Each unit's owner is an insured person under the policy with respect to liability arising out of the unit's owner's interest in the common elements or membership in the association;

(b) The insurer waives its right to subrogation under the policy against any unit's owner or member of his or her household;

(c) No act or omission by any unit's owner, unless acting within the scope of his or her authority on behalf of the association, will void the policy or be a condition to recovery under the policy; and

(d) If, at the time of a loss under the policy, there is other insurance in the name of a unit's owner covering the same risk covered by the policy, the association's policy provides primary

insurance.

2. Any loss covered by the property policy under subsections 1 and 2 of NRS 116.3113 must be adjusted with the association, but the proceeds for that loss are payable to any trustee designated for that purpose, or otherwise to the association, and not to any holder of a security interest. The trustee or the association shall hold any proceeds in trust for the association, units' owners and lienholders as their interests may appear. Subject to the provisions of NRS 116.31135, the proceeds must be disbursed first for the repair or restoration of the damaged property, and the association, units' owners, and lienholders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the property has been completely repaired or restored, or the common-interest community is terminated.

3. An insurer that has issued an insurance policy under this section shall issue certificates or memoranda of insurance to the association and, upon written request, to any unit's owner or holder of a security interest. The insurer issuing the policy may not cancel or refuse to renew it until 30 days after notice of the proposed cancellation or nonrenewal has been mailed to the association and to any person to whom a certificate or memorandum of insurance has been issued at their respective last known addresses.

(Added to NRS by 1991, 565; A 2003, 1210)

NRS 116.31135 Insurance: Repair or replacement of damaged or destroyed portion of community.

1. Any portion of the common-interest community for which insurance is required under NRS 116.3113 which is damaged or destroyed must be repaired or replaced promptly by the association unless:

(a) The common-interest community is terminated, in which case NRS 116.2118, 116.21183 and 116.21185 apply;

(b) Repair or replacement would be illegal under any state or local statute or ordinance governing health or safety; or

(c) Eighty percent of the units' owners, including every owner of a unit or assigned limited common element that will not be rebuilt, vote not to rebuild.

➡ The cost of repair or replacement in excess of insurance proceeds and reserves is a common expense.

2. If the entire common-interest community is not repaired or replaced, the proceeds attributable to the damaged common elements, must be used to restore the damaged area to a condition compatible with the remainder of the common-interest community, and except to the extent that other persons will be distributees (subparagraph 2 of paragraph (I) of subsection 1 of NRS 116.2105):

(a) The proceeds attributable to units and limited common elements that are not rebuilt must be distributed to the owners of those units and the owners of the units to which those limited common elements were allocated, or to lienholders, as their interests may appear; and

(b) The remainder of the proceeds must be distributed to all the units' owners or lienholders, as

their interests may appear, as follows:

(1) In a condominium, in proportion to the interests of all the units in the common elements; and

(2) In a cooperative or planned community, in proportion to the liabilities of all the units for common expenses.

3. If the units' owners vote not to rebuild any unit, that unit's allocated interests are automatically reallocated upon the vote as if the unit had been condemned under subsection 1 of NRS 116.1107, and the association promptly shall prepare, execute and record an amendment to the declaration reflecting the reallocations.

(Added to NRS by 1991, 566; A 1993, 2370)

NRS 116.31138 Insurance: Variance or waiver of provisions in community restricted to nonresidential use.

The provisions of NRS 116.3113, 116.31133 and 116.31135 may be varied or waived in the case of a common-interest community all of whose units are restricted to nonresidential use.

(Added to NRS by 1991, 567)

NRS 116.311395 Funds of association to be deposited or invested at certain financial institutions.

1. Except as otherwise provided in subsection 2, an association, a member of the executive board, or a community manager shall deposit or invest all funds of the association at a financial institution which:

(a) Is located in this State;

(b) Is qualified to conduct business in this State; or

(c) Has consented to be subject to the jurisdiction, including the power to subpoena, of the courts of this State and the Division.

2. Except as otherwise provided by the governing documents, in addition to the requirements of subsection 1, an association shall deposit, maintain and invest all funds of the association:

(a) In a financial institution whose accounts are insured by the Federal Deposit Insurance Corporation, the National Credit Union Share Insurance Fund or the Securities Investor Protection Corporation;

(b) With a private insurer approved pursuant to NRS 678.755; or

(c) In a government security backed by the full faith and credit of the Government of the United States.

3. The Commission shall adopt regulations prescribing the contents of the declaration to be executed and signed by a financial institution located outside of this State to submit to consent to the jurisdiction of the courts of this State and the Division.

(Added to NRS by 2009, 1733)

Sec. 44.

NRS 116.3111 is hereby amended to read as follows:

116.3111

1. A unit's owner is not liable, solely by reason of being a unit's owner, for an injury or damage arising out of the condition or use of the common elements. Neither the association nor any unit's owner except the declarant is liable for that declarant's torts in connection with any part of the common-interest community which that declarant has the responsibility to maintain. [Otherwise, an]

2. An action alleging a wrong done by the association [must be brought] , **including, without limitation, an action arising out of the condition or use of the common elements, may be maintained only** against the association and not against any unit's owner. If the wrong occurred during any period of declarant's control and the association gives the declarant reasonable notice of and an opportunity to defend against the action, the declarant who then controlled the association is liable to the association or to any unit's owner for all tort losses not covered by insurance suffered by the association or that unit's owner, and all costs that the association would not have incurred but for a breach of contract or other wrongful act or omission. Whenever the declarant is liable to the association under this section, the declarant is also liable for all expenses of litigation, including reasonable attorney's fees, incurred by the association. [Any]

3. Except as otherwise provided in subsection 4 of NRS 116.4116 with respect to warranty claims, any statute of limitation affecting the association's right of action **against a declarant** under this section is tolled until the period of declarant's control terminates. A unit's owner is not precluded from maintaining an action contemplated by this section because he or she is a unit's owner or a member or officer of the association. **Liens resulting from judgments against the association are governed by NRS 116.3117.**

Sec. 45.

NRS 116.3113 is hereby amended to read as follows:

116.3113

1. Commencing not later than the time of the first conveyance of a unit to a person other than a declarant, the association shall maintain, to the extent reasonably available [, both of the following:] **and subject to reasonable deductibles:**

(a) Property insurance on the common elements and, in a planned community, also on property that must become common elements, insuring against [all] risks of direct physical loss commonly insured against [or, in the case of a converted building, against fire and extended coverage perils. The total amount of] , **which** insurance , after application of any deductibles , must be not less than 80 percent of the actual cash value of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations and other items normally excluded from property policies ; [.]

(b) [Liability] **Commercial general liability** insurance, including insurance for medical payments, in an amount determined by the executive board but not less than any amount specified in the declaration, covering all occurrences commonly insured against for [death,] bodily injury [,] and property damage arising out of or in connection with the use, ownership, or maintenance of the common elements and, in cooperatives, also of all units [.] ; **and**

(c) **Crime insurance which includes coverage for dishonest acts by members of the executive board and the officers, employees, agents, directors and volunteers of the association and which extends**

coverage to any business entity that acts as the community manager of the association and the employees of that entity. Such insurance may not contain a conviction requirement, and the minimum amount of the policy must be not less than an amount equal to 3 months of aggregate assessments on all units plus reserve funds or \$5,000,000, whichever is less.

2. In the case of a building [that is part of a cooperative or] that contains units [having] ***divided by*** horizontal boundaries described in the declaration, ***or vertical boundaries that comprise common walls between units***, the insurance maintained under paragraph (a) of subsection 1, to the extent reasonably available, must include the units, but need not include improvements and betterments installed by units' owners.

3. If the insurance described in subsections 1 and 2 is not reasonably available, the association promptly shall cause notice of that fact to be [hand-delivered or sent prepaid by United States mail] ***given*** to all units' owners. The declaration may require the association to carry any other insurance, and the association [in any event] may carry any other insurance it considers appropriate to protect the association or the units' owners.

4. An insurance policy issued to the association does not prevent a unit's owner from obtaining insurance for the unit's owner's own benefit.

Reviewing Your Financial Statements

NRS 116.31083 6. At least once every quarter, and not less than once every 100 days, unless the declaration or bylaws of the association impose more stringent standards, the executive board shall review, at a minimum, the following financial information at one of its meetings:

- (a) A current year-to-date financial statement of the association;
- (b) A current year-to-date schedule of revenues and expenses for the operating account and the reserve account, compared to the budget for those accounts;
- (c) A current reconciliation of the operating account of the association;
- (d) A current reconciliation of the reserve account of the association;
- (e) The latest account statements prepared by the financial institutions in which the accounts of the association are maintained; and
- (f) The current status of any civil action or claim submitted to arbitration or mediation in which the association is a party.

Review of Financial Statements of _____ (association name)
for _____ (month), _____ (year)

Checklist for reviewing a bank statement and reconciliation:

- ☐ Is this bank statement for my association?
- ☐ Are all the account numbers correct?
- ☐ Does the balance on the bank statement agree with the Bank Reconciliation?
- ☐ Does the reconciled balance (the Adjusted G/L Balance) on the reconciliation match the balance listed for that account on the Balance Sheet?
- ☐ Are the checks in sequence?
- ☐ Has any check been cashed twice?
- ☐ Are there checks outstanding that were outstanding last month?
- ☐ Are the deposits made throughout the month, or just once or twice?
- ☐ Are there any deposits in transit that were in transit last month?

Checklist for reviewing the revenues and expenses for the operating and reserve accounts:

- ☐ Are there any unpaid invoices from previous months?
- ☐ Check Current Actual Assessment Income to verify that it is the same as the budgeted amount.
- ☐ Check Current and YTD variances.
- ☐ For any account that seems unusual, check the Check Distribution Report to find out what checks were applied to that account.
- ☐ Compare the Outstanding List from previous months. Review status reports from collection agency/attorney. Have letters been sent and recordings been filed on everyone delinquent according to the Association's Collection Policy?
- ☐ Do the totals for Debt Balance and Credit Balance match the Accounts Receivable and Pre-Paid Assessments?
- ☐ Check the General Journal for any unusual activity.
- ☐ Change owner information on your owner list.

Call the Manager ***before the board meeting*** if you have questions.

Reviewed by:

Signature

Name (Print)

Office

Date

Common Insurance Terms

Actual cash value (ACV)

A method for placing value on property as of the time of its loss or damage. ACV may be determined by market value (the current price for a like item in the same general condition) or replacement cost new less use depreciation (the cost of the same item brand new minus the insured's contribution to pay for the added life expectancy of the property new property). The insured may generally select whichever method is more favorable. Contrast with replacement cost.

Additional insured

One who qualifies as "insured" under the terms of a policy even though not named as insured. Officers of a corporation may be included as insureds under the terms of a policy written in the name of the corporation.

Adjuster

A person may act either on behalf of the insurance company or the insured in the settling a claim. Independent adjusters represent the insurance company on a fee basis; public adjusters represent the insured on a fee basis.

Agent

The term used for one person acting on behalf of another in an insurance transaction.

Aggregate limit

The maximum amount an insurer will pay under a policy in any one policy period.

Binder

An insurer's agreement, by way of an agent, to provide non-life insurance on the spot, pending issuance of the policy contract.

Blanket coverage

A means of insuring various items of property under one limit of liability.

Boiler & machinery insurance

Fired vessels, steam generators, mechanical and or electrical objects and turbines, are all examples of "objects" that might be listed for coverage under a boiler and machinery policy. Coverage is for damage to covered property caused by an accident to an object identified in the policy's schedule. Coverage includes extra expense, automatic 90-day coverage at new locations, defense against liability claims, and supplementary payments like those provided under public liability policies.

Bond, surety

A surety bond is the financial assumption of responsibility by one or more persons for fulfilling another's obligations.

Broad form perils

A property insurance designation for coverage that extends beyond the basic named perils.

Broker

One who acts as the insured's agent in arranging insurance. A broker may also serve as the agent of an insurance company.

Certificate of insurance

A written description of insurance in effect as of the date and time of the certificate. The certificate does not ordinarily confer any rights on the holder, i.e., the issuing insurer does not promise to inform the holder of change in or cancellation of coverage.

Claims-made coverage

A type of public liability insurance that responds only to claims for injury or damage that are brought (to the insurer) during the policy period (or during a designated extended reporting period beyond expiration). The development was in response to "long tail" claims, such as those related to asbestosis injury, carrying over many years and multiple layers of coverage limits. However, most public liability policies are written on an "occurrence" basis, covering injury or damage occurring during the policy period even if a claim is brought months or even years later.

Coinurance clause

"Coinurance" refers to the bargain between commercial property owners and the insurance industry. The clause in property policies encourages the property owner to gauge coverage needs by possible, not probable, maximum loss. With \$1 million at risk but a probable maximum loss of \$100,000, for example, the property owner would probably buy \$100,000 insurance and bank on avoiding the larger disaster. The bargain offered by the insurance industry is a reduced rate per \$100 of coverage if the owner agrees to buy coverage at a specified relation (80% commonly) to value (to possible maximum loss in other words). If the insured accepts the bargain but events prove the amount of insurance is inadequate to the stated coinsurance percentage, the insured becomes "co-insurer" in the same ratio as the amount of insurance bears to the amount that should have been carried.

Claims-Made Policy

In Commercial General Liability insurance, a policy that pays for events occurring during a specified period and for which a claim is made during the policy period, subject to stipulated limitations and extensions.

Commercial General Liability Insurance

A line of insurance available to commercial organizations and providing coverage on behalf of insureds for sums they may be legally required to pay to others as a result of the insureds' actions or negligence. May include coverage for bodily injury, property damage, personal injury, advertising injury, medical payments, and certain supplemental payments specified in the policy.

Declaration page

That part of a property or liability insurance policy that discloses information pertinent to the coverage promised including names, addresses, limits, locations, term, premium, forms, and so on. The same information, perhaps in a shorthand version, is contained as well in the daily.

Deductible

The part of the loss that is to be borne by the insured; it comes off the top of any payment from the insurer.

Employment practices liability

Coverage against allegations of illegal or discriminatory hiring firing practices, sexual harassment of employees, an so on.

Endorsement

An amendment to a policy form.

Errors and omissions coverage

A type of professional liability insurance protecting the insured against claims alleging bodily injury or property damage caused by the professional or technical incompetence of the insured.

Excess or surplus lines market

The range of insurance available through non-admitted insurers, i.e., insurance companies that are not licensed in a particular state or territory. Specific provisions of state or territorial law control placements.

Excess Insurance

Insurance coverage that pays only after other insurance, called primary insurance, has been exhausted.

Exclusion

Anything specifically stated in an insurance policy as not covered by the policy.

Fraud

The intentional perversion of the truth in order to mislead someone into parting with something of value.

Hired auto

A nonowned auto that may be borrowed as well as rented or leased by the insured. Personal auto policy insureds are covered automatically for hired autos, but business auto policy insureds may not be.

Indemnity

A fundamental concept governing insurance: compensation for loss or injury sustained.

Inland marine insurance

Property insurance signaling broad coverage of properties exposed to the transportation peril and those subject to being used or kept at a location other than the insured's customary premises. Eligible property is identified in the so-called "Nationwide Definition of Marine Insurance."

Nonowned auto

This term signifies an auto that is neither owned, hired, nor borrowed by the insured under a commercial auto policy. Employees' cars used in company business are commonly classified this way. The employer's auto liability cover for use of nonowned autos is covered by entry of symbol 1 ("any auto") or symbol 9 ("nonowned autos") on the declaration page.

Occurrence Policy

In Commercial General Liability insurance, a policy that pays for events that occur during its policy term, regardless of when a claim is filed. That is, an expired occurrence policy will pay a valid claim even if the claim is made years later, provided that the event occurred while the policy was in effect.

Package policy

Any combination of insuring agreements that combines property and casualty coverages. Homeowners, business owners, and garage policies are examples.

Risk management

The process of handling pure risk by way of reduction, elimination, or transfer of risk, with the latter commonly achieved through insurance.

Schedule

List of items on a policy declaration, sometimes also showing descriptions and values.

Special form

In contrast to the named perils forms in property insurance, those forms that list specific perils for coverage, the special form contract covers simply risk of direct physical loss, relying on exclusions to delimit and define the protection intended.

Umbrella liability

A liability contract with high limits covering over top of primary liability coverages and, subject to deductible, covering exposures otherwise uninsured.

Uninsurable risk

An uninsurable risk is one which is literally uninsurable because loss is certain rather than possible.

Waiver of subrogation

An insurer has the right of subrogation; however, it may waive that right through this method.

Items to Consider When Purchasing Insurance

- What do the governing documents & state laws require?
- How do the association & homeowner policies interface?
- What are policy limitations on recovery?
- Does it include medical payments coverage?
- What deductibles are available?
- Is there a subrogation clause?
- What are the cancellation provisions?
- Should the board purchase endorsements?
- What losses are covered?
- What exclusions does the policy contain?
- Does a coinsurance provision exist?
- Can the association appoint its own counsel?
- Is it a “claims made” or “occurrence” policy?
- Did the agent or broker visit the property?
- Did the agent or broker review the governing document?
- What are the A. M. Best ratings for the proposed insurance companies?

ACORD™ CERTIFICATE OF LIABILITY INSURANCEDATE (MM/DD/YYYY)
5-15-2010

PRODUCER John Doe ABC Insurance Agency 1234 Any St. Anytown, NV	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
	INSURERS AFFORDING COVERAGE	NAIC #
INSURED XYZ Condominium Assn 99999 Main St Anytown, NV	INSURER A: Mickey Mouse Insurance Group	
	INSURER B: Goofy Insurance Program	
	INSURER C: Donald Duck Insurance	
	INSURER D: Tinker Bell Risk Insurance	
	INSURER E: Pluto Umbrella Insurance Co	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR ADD'L LTR	INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A	C	<input checked="" type="checkbox"/> GENERAL LIABILITY <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> D&O 1,000,000 GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	XX54321A 987654A	5-15-2010	5-15-2011	EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMPIOP AGG	\$ 1,000,000 \$ \$ 5,000 \$ 1,000,000 \$ 2,000,000 \$
		<input type="checkbox"/> AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	XX54321A	5-15-2010	5-15-2011	COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)	\$ 1,000,000 \$ \$ \$
		<input type="checkbox"/> GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT OTHER THAN EA ACC AUTO ONLY: AGG	\$ \$ \$
E		<input checked="" type="checkbox"/> EXCESS/UMBRELLA LIABILITY <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE <input checked="" type="checkbox"/> RETENTION \$ 10,000	ZYXW777	5-15-2010	5-15-2011	EACH OCCURRENCE AGGREGATE	\$ 5,000,000 \$ 5,000,000 \$ \$ \$
D		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below	99999WW	5-15-2010	5-15-2011	WC STATU-TORY LIMITS E.L. EACH ACCIDENT E.L. DISEASE - EA EMPLOYEE E.L. DISEASE - POLICY LIMIT	<input type="checkbox"/> OTH-ER \$ 1,000,000 \$ 1,000,000 \$ 1,000,000
A	B	OTHER Property Fidelity bond	XX54321A 987654B	5-15-2010 5-15-2010	5-15-2011 5-15-2011	50,000,000 / 5,000 ded 50,000 / 2,500 ded	

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

Coverage is for Condominium Assn. Management Company is additional insured on liability, fidelity bond and Directors and Officers coverage. Property policy includes replacement cost and walls in coverage excluding betterments/improvements

CERTIFICATE HOLDER

Greatest Management Co
555 Best St
Yourtown, NV

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

26 John Doe © 2100 Nevada Chapter Community Associations Institute

6/8/2009

_____ Home Owners,

This letter is intended to summarize insurance issues you should review with your personal insurance agent to best protect your personal condo unit. Descriptions used here do not replace the actual insurance policy. **For specific insurance coverage and limits refer to the policy, including policy endorsements and especially exclusions (such as mold and absolute asbestos exclusions,) contact my office to obtain a copy of the policy.**

Common area property, including coverage for association controlled buildings, is insured through XXXXXXXX (XXX) and YYY Insurance Company. Coverage is provided to the finished interior surface including fixtures, cabinets, countertops and wall to wall flooring as originally constructed or to like kind and quality at current prices,) Also, coverage is included for association general liability, building code upgrades and demolition, fidelity coverage, Directors and Officers liability, and more.

Unit-owners should purchase a personal condo unit policy to provide coverage for their own personal liability, interior improvements and betterments (including upgrades, improvements, additions or alterations made to your personal unit or building), medical payments, personal property, association deductible, loss assessments (you can purchase up to \$50,000), and other coverage indentified as needed by you or your personal insurance agent. If you rent your unit special coverage is needed for business liability and loss of rents (these policies vary in cost depending on the limits of coverage).

Concerning deductibles, many Associations are increasing their property insurance deductible and some associations do require the unit owner to pay the deductible. **Your master HOA policy has a per occurrence property deductible of \$2,500, and a \$2,500 per unit deductible that applies to ice damming that is in addition to any deductible that may apply to the common area.** If your HOA requires the unit owner to pay the deductible talk to your personal agent to learn how to get this covered through your personal condo insurance policy (different companies handle this in different ways.)

The master HOA policy does not pay for the cost of discovery unless the damage is due to a cause of loss covered by the master HOA policy. We see this with slab leaks when a pipe breaks due to age and causes damage to the building. Although the resulting damage, if over the HOA deductible, may be covered, the cost of discovery would be paid only if the damage was caused by a covered cause of loss and if the damage was over the HOA policy deductible. Ask your personal insurance company if you can insure yourself for these losses on your personal insurance policy.

If you need assistance in purchasing the correct coverages for your condo unit, please call Your Insurance at (800) 555-5555, fax (702) 555-5556, ask for Joe or Mary.

Again, this is a general overview only and it is not intended to take the place of the actual policy. For your specific coverage needs talk to your personal agent and review all policy language, endorsements and exclusions.

Yours truly,

Joe Insurance
Vice President
Your Agent Insurance, Inc.



Basic Disaster Supplies

There are six basics you should stock in your home:

- Water
- Food
- First aid supplies
- Clothing, bedding and sanitation supplies
- Tools
- Special items

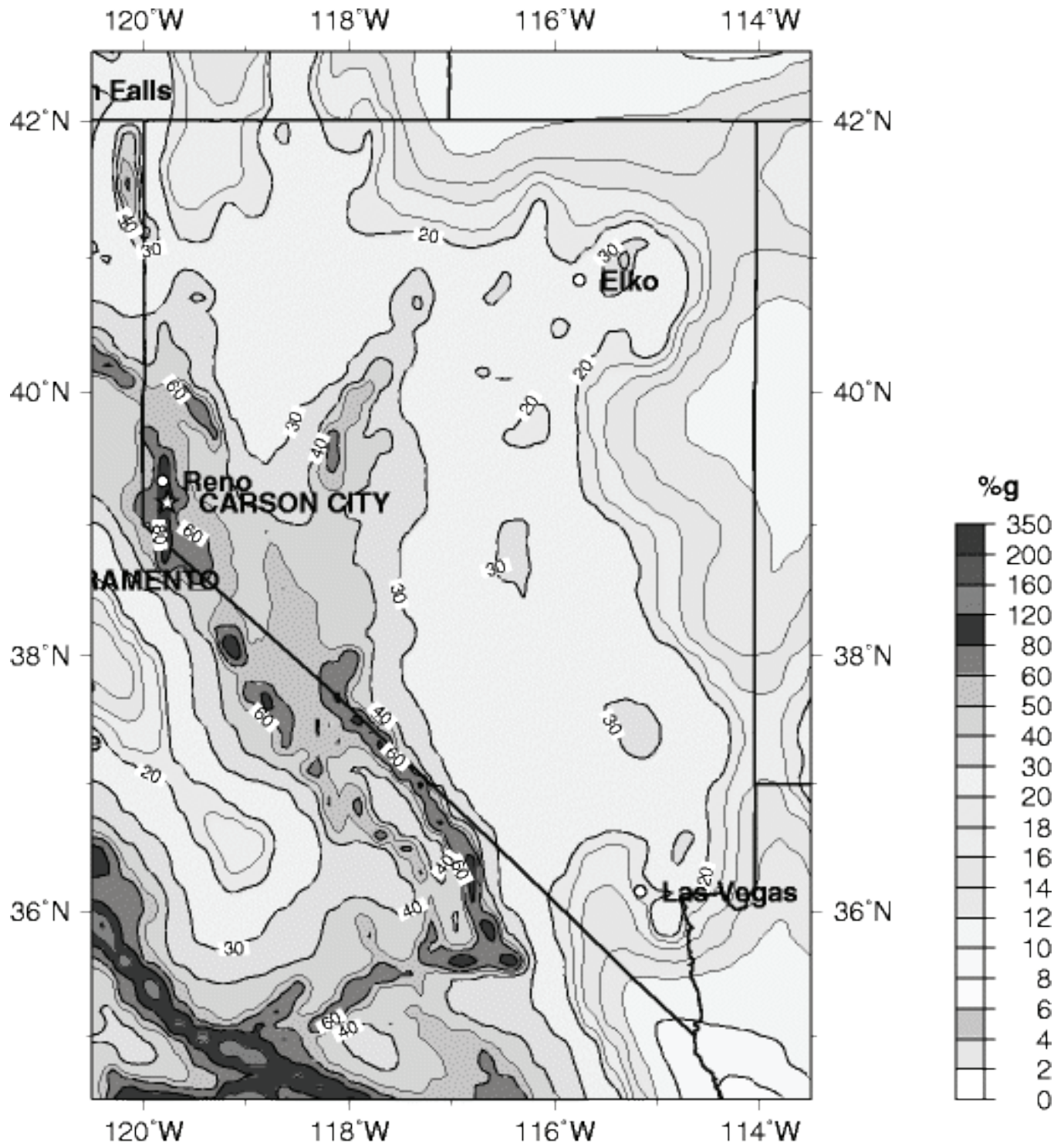
Keep the items that you would most likely need during an evacuation in an easy-to-carry container. Possible containers include a large, covered trash container; a camping backpack; or a duffle bag.

Last Modified: Wednesday, 11-Aug-2010 14:12:45 EDT

<http://www.fema.gov/plan/prepare/basickit.shtm>



Earthquake Hazards Map Of Nevada



Peak Acceleration (%g) with 2% Probability of Exceedance in 50 Years
site: NEHRP B-C boundary
National Seismic Hazard Mapping Project (2008)

VIGILANT VILLAS
HOMEOWNERS ASSOCIATION

FINANCIAL RESPONSIBILITY RESOLUTION
--

WHEREAS, Section 1.10 of the Amended Declaration of Covenants, Conditions and Restrictions for Vigilant Villas Condominiums defines the Condominium Unit or Unit as within the rectangle as shown on the plat map and the Limited Common Elements; and

WHEREAS, Section 1.8 of the Amended Declaration of Covenants, Conditions and Restrictions for Vigilant Villas Condominiums defines the Common Elements as all portions of the property other than a Unit; and

WHEREAS, Section 1.21 of the Amended Declaration of Covenants, Conditions and Restrictions for Vigilant Villas Condominiums defines the Limited Common Elements as the ground floor patio storage, second floor balcony/storage, stairways and landings, chimneys and flues, and assigned parking spaces; and

WHEREAS, Section 4.1 of the Amended Declaration of Covenants, Conditions and Restrictions for Vigilant Villas Condominiums states that owners are responsible for the maintenance and repair of their units, including doors, windows, interior walls, floors, ceilings, appliances, systems including plumbing, gas, electrical, television cable, and air conditioning and heating units and ducts servicing the unit, and are responsible for the maintenance and repair of the Limited Common Elements; and

WHEREAS, Section 9.15 of the Amended Declaration of Covenants, Conditions and Restrictions for Vigilant Villas Condominiums states that owners are responsible to maintain, replace and repair paint, paper, panel, sheetrock, plaster, tile, walls, interior partitions, ceilings, floors, windows, window frames, and door frames in their Units; and

WHEREAS, Section 4.3 of the Amended Declaration of Covenants, Conditions and Restrictions for Vigilant Villas Condominiums states that the Association has the right and duty to repair, replace or restore all of the Common Elements and Association Property, and that if a repair results from the negligence of an Owner, guests or licensees, the Owner shall reimburse the Association for the costs of the repair; and

WHEREAS, Section 4.4 of the Amended Declaration of Covenants, Conditions and Restrictions for Vigilant Villas Condominiums states that the Association has the right to enter a unit to make repairs that are the Association's responsibility immediately in an emergency, and with a 3-day notice and approval of 2/3 of the Board for non-emergencies; and

WHEREAS, Section 8.3 of the Amended Declaration of Covenants, Conditions and Restrictions for Vigilant Villas Condominiums states that if a unit is damaged or destroyed, the Owner must repair the Unit as soon as reasonably possible and to the original specifications; and

WHEREAS, Section 8.7 of the Amended Declaration of Covenants, Conditions and Restrictions for Vigilant Villas Condominiums states that Owners are responsible for carrying, at their expense, insurance to cover losses and damages not covered by the Association's insurance, and if an owner files a claim on the

Association's insurance, the Owner is responsible for the deductible, up to \$1,000, and that no work may be completed until the Association receives the deductible; and

WHEREAS, the current standard deductible for the insurance required in Section 8.7 of the Amended Declaration of Covenants, Conditions and Restrictions for Vigilant Villas Condominiums is \$250.00; and

WHEREAS, the Board of Directors wishes to clarify who is financially responsible for damages to individual units when such damages result from situations that the Association is responsible for maintaining.

NOW, THEREFORE, BE IT RESOLVED THAT financial responsibilities of the Unit Owners and the Association will be as follows:

- Unit Owners must purchase homeowners insurance on their unit(s), including Units that are vacant and Units that are rented.
- Unit Owners are strongly encouraged to require their tenants to purchase renter's insurance in their lease(s).
- If damage is done to an individual Unit from a roof leak or other issue that is the Association's responsibility,
 - The Association will be responsible for the first \$250.00.
 - The Unit Owner will be responsible for the amount between \$250.00 and \$1,000.00.
 - The Association will be responsible for any amount over \$1,000.00.
- The Association will have the first right to contract to make the repairs and to bill the Unit Owner for the amount of such Unit Owner's responsibility.
- The Association will also have the right to allow a Unit Owner to contract to make the repairs with an appropriately licensed and insured contractor and to either pay the Unit Owner or contractor for the Association's amount of responsibility.
- The Board of Directors reserves the right to decide whether or not to file an insurance claim.

This policy was duly adopted by the action of the Board of Directors of the Vigilant Villas Homeowners Association on February 22, 2011.

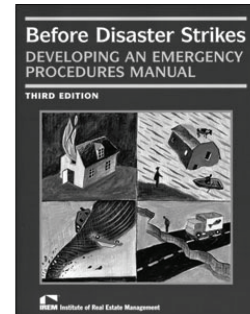
By: _____
President

Date: _____

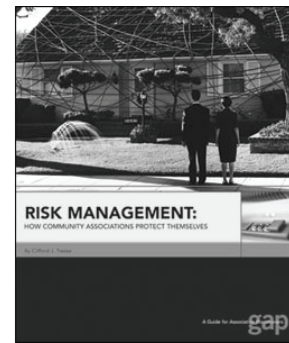
Recommended Reading from CAI

<https://cai.caionline.org/eWeb/DynamicPage.aspx?site=CAI&WebCode=storeHome>

Before Disaster Strikes
Developing an Emergency Procedures Manual
ISBN: 1-57203-015-1
1999, 193 pages
Author(s): Institute for Real Estate Management
Product Format: Book
Item #: R0151
Members: USD \$60.00 Non-Members: USD \$100.00



Risk Management
How Community Associations Protect Themselves
ISBN: 978-159618-004-8
2006, 70 pages
Author(s): Clifford J. Treese, CPCU, ARM, CIRMS
Product Format: Book
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Members: USD \$15.00 Non-Members: USD \$25.00



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Natural Disasters
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2006, 32 pages
Editor(s): Debra Lewin
Product Format: Book
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