Insurance—The Association's and Yours

Of the many things your association assessment pays for, insurance is one of the most important. Association governing documents and state law require the association board to purchase adequate insurance as part of a comprehensive risk-management program.

The association has two types of commercial insurance coverage—property and liability.

Property insurance covers loss of or damage to any common structures or physical property caused by fire, flood, storms or other natural events. For instance, if high winds uproot a tree that damages a common roof, the association's property insurance would cover the cost of repairs. Property insurance may also cover what we call "human perils" (such as theft) and "economic perils" (such as stock market fluctuations) that might impact our association's investments.

Liability insurance covers losses that would result if someone took legal action against the association for an injury, financial loss or other type of damage. For example, one important type of liability insurance, called Directors' and Officers' insurance, covers volunteers like board and committee members so they're not jeopardizing their personal assets to serve the association.

The association's insurance does not cover owners or residents, their homes or belongings. Each member should have his or her own insurance policy. If you need information about homeowners insurance, talk to a licensed insurance agent who specializes in homeowners associations. Or you may want to talk to the association's insurance provider; this person will know exactly where the association's master policy coverage ends and where yours should begin. This prevents you from over or under insuring yourself.