



Protection for Community Association LeadersSM

*Tailored D&O, EPL, and Crime Coverage
for Community Association Boards from Chubb*



CHUBB



It's nice to be able to "give something back" to one's community. Being a member of a community association board of directors can most assuredly be satisfying.

But sometimes community association boards (and their property managers) can't win. They can find themselves caught in the middle of complicated, emotional disputes between neighbors. Compromise is often difficult and may leave everyone unhappy. And, increasingly, the unhappiest parties seek satisfaction the new-fashioned way: They sue.

As in society in general, litigation against community association boards and their property managers is on the rise. More than ever, people look to the courts to solve their disputes. Litigation against community association boards and managers has grown to become a specialized field, attracting lawyers who concentrate on these types of lawsuits.

Customized Insurance for Community Associations

Fortunately, community association boards and their property managers can get important liability and crime protections from Chubb with our state-of-the-art Protection for Community Association LeadersSM insurance policy. With more than 20 years of experience as the leader in the community association insurance marketplace, only Chubb is able to offer protection that is specifically crafted to meet the unique directors and officers (D&O) liability, employment practices liability (EPL), and crime coverage needs of these diverse organizations.

Chubb's Protection for Community Association Leaders is the first insurance policy specifically written for community associations (condominiums, cooperatives, homeowners, property owners, commercial communities, and interval or timeshare communities) and property managers. Other insurers endorse their coverage onto generic D&O, EPL, and crime policies, but our policy includes specific coverage wording right in the body of the policy. Chubb can do this because our extensive experience insuring and handling claims for community associations and their managers gives us a depth of understanding of their risks and coverage issues that is unmatched in the insurance industry.

Types of Claims

Community association boards and property managers can be sued by association members, current and former employees, regulators, volunteers, and individual board members themselves over a staggering variety of sophisticated liability issues, including:

- Housing discrimination.
- Employment discrimination.
- Architectural disputes.
- Inadequate reserves.
- Negligence.
- Third-party breach of contract.
- Breach of or change in covenants, conditions, and restrictions (CC&Rs).
- Assessments.
- Liens.
- Defamation.
- Breach of fiduciary duty.
- Declaratory relief action.
- Injunctive relief action.

Unfortunately, community associations also can be plagued by more than liability issues. A hidden criminal element may attack the association, embezzling funds, forging checks, stealing computers and other equipment, and so on. The truth is that 80% of U.S. workplace crime is carried out by employees, and crimes from “trusted insiders” can go undetected for years and cost hundreds of thousands of dollars. The neighbors who serve on community association boards are often unprepared to deal with such treachery.

Case Histories

Change in CC&Rs—The membership of a retirement community voted to change the association’s CC&Rs and begin accepting members with children. A small group of members who were attracted to the gated community by its no-children policy sued the association over the change. Defense costs in excess of \$125,000 have been incurred and the case is still pending.

Employment discrimination—A number of association members lodged complaints against the association’s long-time custodian. The board took action and fired the custodian. The custodian sued the association for age discrimination, and the case settled out of court for \$145,000.

Defamation—A security company alleged that a manager made false and slanderous remarks about it to the association’s board. The company further claimed that the manager attempted to persuade the board to transfer the association’s security business to another vendor. Although the claimant’s suit failed, the manager’s defense expenses exceeded \$10,000.



Theft of funds—An association’s former treasurer had check-signing responsibility as well as access to the association’s payroll checking account. The lack of internal controls within the accounting system allowed the treasurer to perpetrate an elaborate scheme in which she set up a fictitious company that allegedly provided services to the association. The loss wasn’t discovered until after the treasurer had moved away. A thorough investigation determined that she had taken \$200,000.

Regardless of whether an association board or manager is negligent or liable, they can still be sued and, therefore, they must still pay defense costs.

Coverage Highlights Include:

- Broad coverage is available for D&O liability, EPL, and crime, separately or all in one policy:
 - D&O liability coverage insures board members against having to pay compensatory damages out-of-pocket, attorney fees, and other legal costs associated with suits alleging mismanagement, self-dealing, conflict of interest, housing discrimination, acts beyond authority granted by CC&Rs, violation of certain federal and state laws, breach of contract, and breach of fiduciary duties.
 - EPL coverage protects board members and the association against settlements and damages resulting from charges of discrimination, sexual harassment, and wrongful termination.
 - Crime coverage protects the association from losses resulting from employee theft, disappearance of money and securities, forgery, funds transfer fraud, credit card fraud, and other criminal acts.
- Broad definition of insured persons includes past and present directors, officers, trustees, employees, and committee members, as well as property managers and their employees.

- “Second generation” claims arising from property damage (other than those related to a construction defect or specified perils) are covered.
- Coverage for property manager wrongful acts, including acts, errors, and misstatements made while providing real estate property management services at the direction of the association board.
- Protection for Community Association Leaders D&O liability insurance and employment practices liability insurance are written on a claims-made basis. Crime insurance is written on a loss-sustained basis.
- Duty-to-defend coverage means that Chubb will appoint experienced counsel to defend the insured should it be sued.

The Chubb Advantage

Chubb has earned its leadership position in the community association marketplace by consistently providing broad coverage, superior service, unparalleled expertise, and unflinching commitment to helping community associations solve their exposure problems. In particular, we stand apart from other insurers in numerous key areas:

Financial stability—Our financial stability and ability to pay claims rate among the best in the insurance industry, as attested by Standard & Poor’s and A.M. Best Company, the leading insurance rating services. Agents, brokers, and prospective customers often seek out our services because our reputation in the market is well known.

Experience and expertise—We have more than 20 years of experience insuring the complex risks of community association boards and property managers. No one understands the breadth and depth of their business, exposures, and needs as well as we do.

Claims philosophy of fairness—We are committed to a high level of professionalism in our claims-paying practices, as well as to open dialogue and the amicable resolution of disputes whenever possible. Our philosophy is one of cooperation and partnership with producers and customers to provide both a vigorous defense against meritless claims and appropriate settlements where warranted. Over time, our claims handling has become highly respected in the community association industry.



For More Information

Protection for Community Association Leaders is available through your trusted Chubb-appointed retail agent or wholesale broker. For more information, contact your agent or broker; or email csi-info@chubb.com. Chubb is on the Internet at <http://csi.chubb.com>.



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This literature is descriptive only. Whether or not or to what extent a particular loss is covered depends on the facts and circumstances of the loss and the terms and conditions of the policy as issued. Actual coverage is subject to the language of the policies as issued.

Form 14-01-0536 (Ed. 11/01)