**INSURANCE** - The insurance coverage that an HOA is required to carry is established by the governing documents. Associations created within the last fifteen years or so years will generally have very similar requirements for property damage (casualty) and general liability insurance. While there are differences between the coverage requirements from one HOA to the next, the insurance industry is very good at making sure their HOA clients are adequately covered and that the coverage they do have is consistent with the requirements of the governing documents.

There are a number of policies that are not always required by the governing, but which are very important for buyers. Most significant among these is Directors and Officers Liability insurance (D&O). This is particularly true of older HOAs that were created prior to 1990. D&O insurance is a form of liability insurance that provides coverage for the board members and officers of the Association when they are acting in an official capacity as a representative of the HOA.

If you are a new owner and expect to serve on the Board of Directors at some point during your period of ownership (which all owners *should* do) it is imperative that the HOA have this type of coverage in place because you do not want to serve on a Board of Directors unless the Association is willing to ensure you from liability while you are serving as an officer of the organization.

Other forms of insurance that are not always carried and often not required by the governing documents include earthquake and flood insurance. Flood insurance in particular can be an issue because it is typically not one of the hazards that are covered by the individual homeowner's property damage policy. If you do not live in one of the country's major earthquake zones you may not have to worry so much about earthquake coverage, but if you do, it is important to know whether the HOA carries this type of coverage and the amount of any deductibles that the individual homeowners may be responsible for paying.

Many flood and earthquake insurance policies carry extremely high deductibles and may also be subject to lower claim limits than the Casualty insurance policy that covers more common forms of property damage.

Commercial General Liability insurance (CGL) refers to the basic liability insurance policy that insures the Association against claims brought by the general public, Association members or visitors who may be injured or harmed as a result of the Association's negligence. Fidelity insurance is advisable for all Associations but it is especially important when an Association has accumulated a significant amount of money or when there are third-parties such as a managing agent or bookkeeper who may have access to the Association's funds.

The limits of each insurance policy should be determined by performing an insurance analysis to determine the Association's relative exposure to each type of insured risk. In most instances it is advisable to carry as much insurance as the Association can afford, especially when it comes to liability insurance.