

Message from the President



Liability Insurance *How Much is Enough?*

by John Manougian

Boards of directors of community associations have been the beneficiaries of a very "soft" insurance marketplace for over 10 years, particularly those communities that maintain their physical plant through the budget process, control claims that result from maintenance issues, and practice risk management techniques recommended by their insurance carriers.

More recently, the marketplace for large Umbrella Liability policies for community associations has emerged, wherein the question, "How Much Liability Insurance Is Adequate?" can be answered by market conditions, and not solely by assessing one's exposure to loss or even budget considerations. What was always a business decision that many associations sought the input of information from their agent or insurance carrier in attempting to answer this question, is no longer as important due to the low cost involved in transferring the risk back to the insurance carrier.

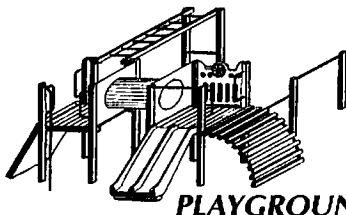
A study examining liability limits appeared in a recent insurance publication that underscored the fact that business groups of all kinds have been raising their liability limits an average 11.7 percent. This increasing trend seems to be driven by very large jury awards, greater exposure to loss (discrimination claims and employment issues,) the expense of litigation, value of human life, and the possibility of multiple claimants from a single occurrence.

Community associations, small and large, should look to their agents for proposals that include large Umbrella programs that offer boards of directors additional protection at very competitive costs. Not only will the overall liability exposure be more adequately covered, but a well-written Umbrella policy will fit very nicely over the Directors and Officers Liability coverage written for the association, thereby providing additional limits of that form of coverage, as well.

While I cannot predict what the future holds for the insurance marketplace, including pricing levels, I can say that large Umbrella policies are available, and should be considered as part of a well-rounded insurance program. ■

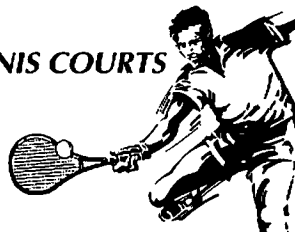
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