

Unlike Other Annual Disclosures Required by the Civil Code, Insurance Disclosures May be more Frequent

By Timothy Cline, CIRMS, Timothy Cline Insurance Agency, Inc.
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The California Civil Code requires common interest developments to make an annual disclosure regarding the Association's property, general liability, earthquake, flood and fidelity insurance policies. According to Civil Code Section 1365, this summary must be distributed "60 days preceding the beginning of the Association's fiscal year."

What's required?

Below is a sample disclosure form which can be used for this purpose. Please note that the summary must include the last paragraph (which appears at the end of the sample disclosure form). This statement, which is intended to encourage individual unit owners to purchase coverage to protect their own interest, must not only be included, it must appear in 10-point boldface type.

After the original mailing, is anything else regarding the insurance disclosure necessary?

It's likely that your insurance program has a renewal date other than your fiscal year. As a result, any changes in your insurance program may be substantive enough to require you to do a second notice to the individual unit owners – above and beyond the original notice required above. The law requires the Board to notify its members by first-class mail if:

1. Any of the policies have lapsed, been canceled and are not immediately renewed, restored, or replaced; or
2. If there is a significant change, such as a reduction in coverage or limits or an increase in the deductible.

Uninsured, even for a day?

Additionally, the association shall immediately notify its members if replacement coverage will not be in effect by the date the existing coverage will lapse.

Some Coverages Not Maintained?

This particular portion of the Civil Code does not necessarily require that you maintain coverage for the perils of earthquake, flood or protection against crime losses (fidelity insurance). The absence of such coverage, however, must be reflected on the disclosure form on each mailing.

About the Author: Tim Cline, CIRMS, is President of Timothy Cline Insurance Agency, Inc. of Santa Monica. Tim is a past President of the Greater Los Angeles Chapter of Community Associations Institute, a former Chair of the CAI National Insurance and Risk Manager Professionals Networking Committee and currently on the Board of Directors of the Los Angeles Chapter of the Insurance Brokers and Agents Association of the West.

This letter contains only a general description of coverage and is not a statement of contract. For a more detailed description of the policy conditions and exclusions, please consult the policy itself.

S A M P L E

2005-2006 California Insurance Disclosure Statement

(As required by California Civil Code Section 1365)

**ABC VILLAS
HOMEOWNERS ASSOCIATION**

The California Civil Code Section 1365 requires that the Association send insurance disclosure statement to each of its members. Accordingly, we are providing you the following information in compliance with the Civil Code.

The following is a summary of the association's insurance coverage for policy period 2004-2005:

1. Property Insurance:

- (A) Insurance carrier: (Name of Carrier Here)
- (B) The type of insurance: Property
- (C) The policy limits of the insurance: (\$ Dollar Amount of Property Coverage)
- (D) The amount of deductible, if any: (\$ Dollar Amount of the Deductible)
- (E) The policy term is: (Insert Effective and Expiration Date Here)

2. Liability Insurance:

- (A) Insurance carrier: (Name of Carrier Here)
- (B) The type of insurance: Commercial General Liability
- (C) The policy limits of the insurance: (Insert "Per Occurrence" Limits Here)
(Insert "Annual Aggregate" Limits Here)
- (D) The amount of deductible, if any: (Insert Deductible Amount Here)
- (E) The policy term is: (Insert Effective and Expiration Date Here)

3. Earthquake Insurance:

- (A) Insurance carrier: (Insert Carrier Name Here)
- (B) The type of insurance: Earthquake Coverage
- (C) The policy limits of the insurance: (Insert Limits of Coverage Here)
- (D) The amount of deductible, if any: (Insert Deductible Amount Here)

(E) The policy term is: (Insert Effective and Expiration Date Here)

4. Flood Insurance:

(A) Insurance carrier: (Insert Carrier Name Here)

(B) The type of insurance: Flood Coverage

(C) The policy limits of the insurance: (Insert Limits of Coverage Here)

(D) The amount of deductible, if any: (Insert Deductible Amount Here)

(E) The policy term is: (Insert Effective and Expiration Date Here)

5. Fidelity Insurance (Fidelity Bond/Employee Dishonesty) Insurance Coverage:

(A) Insurance carrier: (Insert Carrier Name Here)

(B) The type of insurance: Crime

(C) The policy limits of the insurance: (Insert Policy Limits Here)

(D) The amount of deductible, if any: (Amount of Deductible Here)

(E) The policy term is: (Insert Effective and Expiration Date Here)

This summary of the association's policies of insurance provides only certain information, as required by subdivision (e) of section 1365 of the Civil Code and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or, real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.