

Pick Your Policy

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There are two kinds of directors-and-officers insurance. Which one is right for your board?

All co-op and condo boards should have directors-and-officers insurance, but it is important to understand the difference between the types of D&O coverage available as they are not one and the same. There are stand-alone and embedded D&O policies, and one is far more comprehensive than the other.

In embedded policies, the coverage is included as part of the property and general liability package. This type of policy can cost as little as \$250, but it usually provides almost no coverage or defense for a lot of the most common D&O lawsuits.

Stand-alone policies are generally far more comprehensive, and they provide coverage for the most common D&O claims, including discrimination, breach of contract, and noise complaints. Most stand-alone policies for small to medium-size associations cost anywhere from \$850 to \$2,000, but they provide a significant difference in coverage.

For example, there was a discrimination claim from a potential unit purchaser who was rejected after the board interview. He then came back and sued the board for discrimination, and luckily this board had a stand-alone policy in place with defense costs included. Stand-alone coverage can provide for the defense of a discrimination claim, whereas if the board had embedded coverage, it may not have had the necessary coverage for such a claim.

The insurance broker's biggest challenge is to try to educate boards and their managing agents on proper protection. Most people are price-driven and want to save any way they can, but an insurance broker with knowledge of the difference in these policies can help boards decide which kind of policy they should be purchasing to adequately protect themselves. ■

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