

Insuring Clubhouse Events

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So summer's here and the time is right for dancing in the streets, having friends over for a barbecue and jumping in the pool--and, oh by the way, can we use the clubhouse this Saturday afternoon?

(insert scary *Psycho* music here)

A unit owner wants to use your association's clubhouse for a party. Do you have certain guidelines in place as to what sort of party they may have? How many people can attend? What if they plan on having a children's bounce-house? But most importantly, who will be liable if something bad were to happen, either to the building itself or worse, to a guest? How can a community manager make sure the association is covered in case of accidents that result from a unit owner using the clubhouse? Well, here are a few options.

Additional Insured Endorsement

If your unit owner has his own homeowner's insurance, he could get a certificate which names your association and community management company as an additional insured. This document states that the individual unit owner would be responsible for any liability issues, property damage, guest medical, personal property and more, up to the policy limits. So, let's say a

unit owner is having a party at the clubhouse and a friend of his walks through the sliding-glass door and is injured. By listing your association as the additional insured on the unit owner's homeowner's policy for this one-day event, the unit owner's insurance would take care of this problem, and not the association's insurance.

So how does a unit owner get this certificate? Ideally, the unit owner simply needs to contact his own insurance agent and add the day's event onto his own homeowner's policy. Depending on the event, it can cost very little or up to hundreds of dollars. Most personal lines insurance companies can provide such a certificate. However, the industry has shifted so that it's not as easy as it once was for an insurance agent to bind this coverage. Most certificates naming an association as an additional insured now need to get underwriting approval, and depending on which company your unit owner is insured by, this could turn into a logistical nightmare.

In researching this article, I contacted six major insurance companies. I explained to the licensed agent on the phone that I was thinking of getting homeowners' insurance with them, but I wanted to make sure I could get coverage if I ever needed to use the clubhouse. Out of the six calls, two agents knew exactly what I was talking about and explained what they would need from me and how much it

would cost. The other four knew nothing about this coverage or gave me misinformation and moved on. I made numerous follow-up calls with these other companies and spoke with different representatives until I was eventually told that they actually could provide a certificate. Getting this certificate shouldn't be that difficult, but sometimes it is. As long as the unit owner is with a quality company and has a good agent, this certificate should not be a problem.

One other thing to consider is the unit owner's liability limits. What if your association's master insurance policy has liability coverage of \$1 million, but your unit owner's homeowner's policy only has \$100,000 in coverage? If there is a problem, the unit owner's insurance covers the first \$100,000 and then the association could be held responsible for the rest. In this scenario, requesting that the unit owner raise his own liability to \$1 million lowers the association's liability exposure.

Special Event Liability Insurance

Another option is to have your unit owner get a Special Event Liability Policy from a third-party insurance company. This policy would protect the unit owner and the association from liability related to certain types of accidents that might occur during an event, resulting in bodily injury or property damage. These policy liability limits are usually in

\$1 million increments and can provide coverage in an amount up to \$250,000 for third-party property damage, such as a guest accidentally starting a fire. A few nice things about a special event policy are that they're usually easy to obtain within 48 hours, they would alleviate the problem of the unit owner having to increase his own liability coverage and the association is covered as an additional insured for the actual event. In some cases, these policies actually have coverage for cancellation due to weather, vendor issues and more. These policies are perfect for gatherings such as family get-togethers, anniversary parties, club meetings and birthday parties. Pricing on these can range anywhere from \$200 and up.

The Best Solution

The obvious solution is to make sure your association is properly insured and has an umbrella policy in place--just in case. If something strange were to ever happen, you want to make sure the association is covered. But as far as what to do if a unit owner wants to use the clubhouse for an event, you should consider discussing these options with the board of directors and coming up with general guidelines for insuring safe clubhouse use. Once these guidelines are in place you may want to distribute the information via the newsletter or billing statements. There are many variables at play here, and it can seem a bit confusing, but in reality, with enough notice and a few phone calls, the clubhouse will be filled with laughter and music all summer long.



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