

# 7 Simple Steps

## To Help Avoid Common Non-Profit Community Association Directors' & Officers' Liability Claims

After more than two decades of experience in the Non-Profit Community Association industry, IHG has determined that most Directors' and Officers' (D&O) liability claims could be avoided by following a few simple, yet vital steps. Here are 7 simple guidelines to help you ...



### 1. Use professionals

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- Boards should retain professional counsel to review and update by-laws. Attorneys specializing in associations can provide effective, expeditious, and economical services.
- Retain experienced property managers with proper credentials.
- Regularly consult with an accountant to keep financial order.

### 2. Follow the rules

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- Require board members to read and understand the by-laws.
- Require association members to acknowledge receipt of by-laws.
- Even though association meetings are informal settings, take the time to follow the procedures and rules.

### 3. Keep by-laws current

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- Have counsel periodically review and update the by-laws.
- Keep up on new laws impacting the association. Only make changes pursuant to the by-laws.
- Memorialize all amendments to the by-laws.

### 4. Elect qualified board members

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- Make sure prospective board members know what their position entails.
- Require all board members to read the by-laws before taking office.
- Provide training to board members as a group.

### 5. Do not allow emotions and personalities to get in the way

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- Emotions and personality conflicts are the biggest cause of wasted time, money, and resources. Do not allow emotion to control resolution.
- The key root of most emotional and personality problems is that people do not feel they are given the opportunity to speak their mind or their voices are not heard. People will feel that they can speak their mind and will be treated fairly if basic rules and procedures are established and followed.

### 6. Keep good records

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- Keep proper minutes for board meetings. Minutes leave no question about what the association intended.
- Record communications with members, vendors, insurers, counsel, property manager, and anyone else.

### 7. Forward demands and claims

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- No matter what preventative care is taken, "claims happen." When an association receives a demand to do or not do something, or learns of facts that may lead to a claim, the information should be submitted to the association's insurer immediately.
- The Directors' & Officers' Liability policy is a claims-made policy. Notice must be given to the insurer of the terms and conditions of the policy as soon as practicable to preserve all of the association's rights.

Endorsed by:



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Ian H. Graham • 15303 Ventura Boulevard, 12th Floor, Sherman Oaks, CA 91403  
800-621-2324 • [info@ihginsurance.com](mailto:info@ihginsurance.com) • [www.ihginsurance.com](http://www.ihginsurance.com)