



Community Association Product

Claim Examples - Directors & Officers

- ▶ **Mismanagement of Funds:** A Community Association Board of Directors makes assessments on its homeowners to cover unforeseen costs instead of collecting monthly dues. The Board does not believe in holding a large reserve of assets. The bylaws mandate that each owner comply with the decision of the Board. One homeowner ignored the numerous requests from the Board to pay the assessment. Finally, a lien was placed against the property. The homeowner countersued the Board of Directors alleging mismanagement of funds as well as libel and slander for printing his name in the association newsletter for being delinquent.
- ▶ **Breach of Contract:** The Community Association Board entertained bids by companies to waterproof the deck around their pool. The contract was worth approximately \$120,000. ABC Company submitted the lowest bid and was told the work would have to be started in three months and completed in two weeks. ABC Company bought a performance bond, blocked off the necessary time, and in so doing refused to take other jobs. The Board was having other work done around the pool and encountered problems. A week before ABC Company was to begin work the Board notified them they couldn't start and it might be another three months before they could come on the site. ABC Company sued the Board for breach of contract.
- ▶ **Non-Monetary:** A homeowner presented plans to build a home on a corner lot. The Community Association Board affirmed the plan based on the plan's presentation of the driveway coming out on the street in front of the house. During the process of building the home, the homeowner changed the plans, which caused the driveway to come out onto the street closest to the garage. The Board threatened them with a cease and desist letter. The homeowner sued the Board for declaratory judgment claiming the Board does not have the authority to tell the homeowner where their driveway can be placed.
- ▶ **Non-Monetary:** The Community Association Board has a "no pets" rule. Neighbors of a unit owner complained that they have seen a cat in the unit's window. The Board enforces the rule and sends a letter reminding the unit owner "no pets." The unit owner denies having a pet. Periodically the neighbors continue to make similar complaints. The Board advises the neighbors that the unit owner denies having a pet in the unit. By chance, the management company sees the cat in the window. They bring it to the attention of the Board. The Board advises the management company to write a letter to the owner advising to get rid of the cat or face a daily fine. The owner finally admits she has a cat, but needs it for therapy for her disability of depression. The Board requests a medical note. The owner produces a note, but it lacks a letterhead. The Board rejects the note and states they need a note on a medical letterhead. The owner produces a note from a local clinic signed by a 3rd year resident. At the time she presents the note she also files a claim of discrimination with the State Human Rights Commission (HRC).

The HRC concludes that under the guidelines, once the owner produced the note, the Board was in violation to continue any fines or attempts to collect the fines. In addition the Board was not allowed to question the medical credentials of the third year resident or the length of treatment. The HRC awarded damages to the owner.

Claim Examples - General Liability

- ▶ **Bodily Injury:** A guest of a unit owner trips and falls on the sidewalk maintained by the Community Association. It is found that the sidewalk was cracked 3 months prior to the incident. The Association was made aware of the hazard but did not correct the problem. The guest sued the Association for \$6,500 in medical expenses sustained as a result of the injury.