



## Directors Choice, LLC Newsletter

### August 2011 Tip of the Month

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#### Greetings!

Thank you for reading our twelfth newsletter! We are excited to say we have reached our one-year anniversary of sending newsletters to our favorite people- our clients! We sincerely hope you have found them interesting and will continue to.

This month we have two articles from service providers we have come to respect and trust. The first article is on collections and is submitted by Mitch Drimmer, with Association Financial Services. This company has multiple solutions to delinquency issues for all associations and we are happy to recommend them. The second article is submitted by Dave Anderson with Brown & Brown insurance. This article discusses the importance of Directors & Officers Insurance. Holding a position on the Board of Directors can often be a difficult job- the decisions you make regularly affect the entire community. Take it from Dave (and us!) make sure you have proper Directors & Officers Coverage!

#### TIP OF THE MONTH

#### Collections Agencies Offer a Helping Hand

*Collection agency.* The very words send shivers down everyone's spine. Images of calls from distant lands demanding payment ring in one's ear. Perhaps even the stereotypical image of a gangster with baseball bat in hand might come to mind.



What if I were to say to you that collection agencies are a good thing for people in community associations who are delinquent on their assessment payments? Better yet, they

are good for the community association itself and there are many good reasons why this is true.

Typically, associations handle most of their business through their community association managers, but when there is trouble collecting maintenance fees, the association attorney often gets involved. However, having a lawyer contact a delinquent unit owner should not be the first step in resolving the issue. There is a far better process by which the association can reach out to the delinquent owner and resolve the delinquency. That's where a professional collection agency comes in.

Collections companies are made up of are trained, licensed and insured professionals who *communicate* with an owner and *solve the problem* in the most efficient and painless manner. They use a variety of tools, sending letters, notices and statements, and making telephone calls to work towards resolution with the owner. There is no lack of compassion in the collections industry, and the best companies have highly trained personal who specialize in talking with people in distress. Highly trained customer service representatives who know how to work out reasonable payment plans can resolve an issue before expensive legal solutions are brought to bear. There are always collections costs, but in the community association industry there are specialized companies who understand the issues and will defer these costs until paid by the offending debtor.

Community association attorneys, on the other hand, are generalists in association legal matters, and typically approach the delinquent unit owner in an adversarial manner. The first step is usually sending the owner a Final Demand Letter with a 30- or 45-day *Intent to Lien* notice (depending on whether it's a condominium or homeowners association). There is a time and a place for the association to foreclose, but not before all other collections processes have proved ineffective. Attorneys manage the lien and foreclosure process and collection agencies manage a compassionate collections process. Before an association takes the plunge to lien and foreclose, it should always try to engage an owner and work out a payment plan that benefits the association and the owner. A professional collection agency is the answer community associations need.

*Mitch Drimmer is a licensed Community Association Manager and Vice President of Association Financial Services, a company specializing in collections and funding solutions for Florida's community associations.*

If you would like to learn more about Association Financial Services, you can click on their logo to be redirected to their web site.

## VENDOR SPOTLIGHT

### Directors & Officers Insurance Coverage

What is the most important insurance policy for a Condominium



Association?

The answer to this question is; "It depends". It depends on many factors such as what role you have within the Association (point of view). A unit owner may consider the quality of the property insurance most important. Particularly the wind coverage, terms, limits and deductibles. An employee of the Association may consider workers compensation most important. A member of the board of directors may consider directors & officers liability to be most important.

With that said, I would like to focus on Directors & Officers Liability (D&O). D&O is one of the most misunderstood and often overlooked coverages that an association purchases. Choosing to represent an association as a board member is often a thankless endeavor that requires much time, effort, and commitment. It also exposes the board member to a potential lawsuit. For this reason, and others, it is important for board members to be educated on this type of coverage, as well as the rest of their community's coverages.

D&O insurance policies are "manuscripted" policy forms meaning each insurance company creates their own contract. Therefore it is often impossible to obtain an "apples to apples" comparison for between carriers. This differs from other types of insurance, such as General Liability, which typically have "standardized" policy forms where various insurance carriers will use the same policy contract. Because of this it is important to have an Insurance Agent who is knowledgeable and whom you trust to bring thing these matters to your attention. Some areas of the D&O policy to consider when shopping for this type of insurance are:

- Retroactive Dates
- Prior and Pending Litigation Dates
- Full Prior acts coverage
- Side B coverage
- Hammer Clause (what happens when the carrier offers to settle a claim and the board chooses not to settle. This could result in the carrier paying only a percentage of the claim. The percentage may vary from carrier to carrier).
- Definition of Wrongful act
- Contractual Liability
- Coverage for past board members
- Defense Costs

Brown and Brown is the largest insurance intermediary in the State of Florida and the sixth largest in the US. Please feel free to call or email me with questions regarding your association's D&O and other insurance policies.

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If you would like to learn more about Brown & Brown Insurance, feel free to click on their logo at the top of this article to be redirected to their web site. You can also click on Dave's e-mail to send a message directly to him.

## HURRICANE PREPAREDNESS

### What to do for your Landscape

You should be talking with your landscape maintenance company now if you have not already done so about properly preparing the trees and irrigation systems for this hurricane season.



Hardwoods should be pruned by a trained professional to reduce weakness and to allow high winds to pass through the tree rather than uprooting it and landing it on one of your buildings.

Palms should not be severely pruned- this can weaken them. They are normally a hardy tree and will bend with the wind. Some can even be saved after they have blown over.

When you know a storm is coming, be certain to have someone (your Disaster Committee, landscaper, etc.) turn off all breakers to the irrigation systems before the storm hits. That way, if landscaping is uprooted or pulls up irrigation lines you can avoid additional damage from irrigation water.

Fertilizing helps too. If your plants are strong to begin with, they will have more of a chance of survival.

Feel free to click on the picture above to be re-directed to our Disaster Preparedness section of our web site. There are a lot of great resources there to help you prepare.

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**Directors Choice, LLC** is a Naples, Florida based Community Association Management firm working with Condominium and Homeowners' Associations. We provide a full range of financial, consulting, and management services to our clients.

If you feel we can be of service to your association in any way, please contact us. We would love to speak with you.

**Sincerely,**

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