



The 2007 Attorney Survey

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The most effective house rule or building policy that I have seen in the past few years has been the requirement that the shareholders maintain insurance on their units. (This is in addition to the cooperative master policy.) The shareholders' individual insurance policies provide great benefits to both the shareholder and the board on many levels. For the shareholder, this policy provides first-party benefits. This means that he or she is covered for such losses as an accident in the home, theft, and a fire. In the event one of these occurs, the shareholder can look to the insurance for indemnification and a legal defense if sued.

These first-party benefits are a tremendous help to the cooperative as well. For example, in the event of a fire, the shareholder will make a claim and have coverage for his loss from his own insurance company. All the short-term immediate needs of such a tragedy will be covered (i.e. hotel expenses, cleanup expenses, and eventually reimbursement for the loss). All this will be paid out to the shareholder without regard to fault. If the fire was the fault of the cooperative, then the shareholder's insurance company will make the appropriate claim. However, while that claim is pending, the shareholder will already be made whole by his own insurance.

The fact that the shareholder has these first-party benefits takes a great deal of stress off the board if there is a fire, since the shareholder's immediate needs will be provided by his own insurance company. In addition, shareholder insurance covers the content of the shareholder's apartment and the improvements, such as an upgraded kitchen or bathroom. Very often, cooperative master policies do not cover these. Finally, shareholder coverage is relatively inexpensive yet its benefits, both financially and administratively, are tremendous for a cooperative.