

1 AN ACT concerning civil law.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Condominium Property Act is amended by  
5 changing Section 12 as follows:

6 (765 ILCS 605/12) (from Ch. 30, par. 312)

7 Sec. 12. Insurance.

8 (a) Required coverage. No policy of insurance shall be  
9 issued or delivered to a condominium association, and no policy  
10 of insurance issued to a condominium association shall be  
11 renewed, unless the insurance coverage under the policy  
12 includes the following:

13 (1) Property insurance. Property insurance (i) on the  
14 common elements and the units, including the limited common  
15 elements and except as otherwise determined by the board of  
16 managers, the bare walls, floors, and ceilings of the unit,  
17 (ii) providing coverage for special form causes of loss,  
18 and (iii) providing coverage, at the time the insurance is  
19 purchased and at each renewal date, in a total amount of  
20 not less than the full insurable replacement cost of the  
21 insured property, less deductibles, but including coverage  
22 sufficient to rebuild the insured property in compliance  
23 with building code requirements subsequent to an insured

1        loss, including: Coverage B, demolition costs; and  
2        Coverage C, increased cost of construction coverage. The  
3        combined total of Coverage B and Coverage C shall be no  
4        less than 10% of each insured building value, or \$500,000,  
5        whichever is less ~~in a total amount of not less than the~~  
6        ~~full insurable replacement cost of the insured property,~~  
7        ~~less deductibles, but including coverage for the increased~~  
8        ~~costs of construction due to building code requirements, at~~  
9        ~~the time the insurance is purchased and at each renewal~~  
10       ~~date.~~

11       (2) General liability insurance. Commercial general  
12       liability insurance against claims and liabilities arising  
13       in connection with the ownership, existence, use, or  
14       management of the property in a minimum amount of  
15       \$1,000,000, or a greater amount deemed sufficient in the  
16       judgment of the board, insuring the board, the association,  
17       the management agent, and their respective employees and  
18       agents and all persons acting as agents. The developer must  
19       be included as an additional insured in its capacity as a  
20       unit owner, manager, board member, or officer. The unit  
21       owners must be included as additional insured parties but  
22       only for claims and liabilities arising in connection with  
23       the ownership, existence, use, or management of the common  
24       elements. The insurance must cover claims of one or more  
25       insured parties against other insured parties.

26       (3) Fidelity bond; directors and officers coverage.

1           (A) An association with 6 or more dwelling units  
2           must obtain and maintain a fidelity bond covering  
3           persons, including the managing agent and its  
4           employees who control or disburse funds of the  
5           association, for the maximum amount of coverage  
6           available to protect funds in the custody or control of  
7           the association, plus the association reserve fund.

8           (B) All management companies that are responsible  
9           for the funds held or administered by the association  
10          must be covered by a fidelity bond for the maximum  
11          amount of coverage available to protect those funds.  
12          The association has standing to make a loss claim  
13          against the bond of the managing agent as a party  
14          covered under the bond.

15          (C) For purposes of paragraphs (A) and (B), the  
16          fidelity bond must be in the full amount of association  
17          funds and reserves in the custody of the association or  
18          the management company.

19          (D) The board of directors must obtain directors  
20          and officers liability coverage at a level deemed  
21          reasonable by the board, if not otherwise established  
22          by the declaration or bylaws. Directors and officers  
23          liability coverage must extend to all contracts and  
24          other actions taken by the board in their official  
25          capacity as directors and officers, but this coverage  
26          shall exclude actions for which the directors are not

1 entitled to indemnification under the General Not For  
2 Profit Corporation Act of 1986 or the declaration and  
3 bylaws of the association. The coverage required by  
4 this subparagraph (D) shall include, but not be limited  
5 to, coverage of: defense of non-monetary actions;  
6 defense of breach of contract; and defense of decisions  
7 related to the placement or adequacy of insurance. The  
8 coverage required by this subparagraph (D) shall  
9 include as an insured: past, present, and future board  
10 members while acting in their capacity as members of  
11 the board of directors; the managing agent; and  
12 employees of the board of directors and the managing  
13 agent.

14 (b) Contiguous units; improvements and betterments. The  
15 insurance maintained under subdivision (a) (1) must include the  
16 units, the limited common elements except as otherwise  
17 determined by the board of managers, and the common elements.  
18 The insurance need not cover improvements and betterments to  
19 the units installed by unit owners, but if improvements and  
20 betterments are covered, any increased cost may be assessed by  
21 the association against the units affected.

22 Common elements include fixtures located within the  
23 unfinished interior surfaces of the perimeter walls, floors,  
24 and ceilings of the individual units initially installed by the  
25 developer. Common elements exclude floor, wall, and ceiling  
26 coverings. "Improvements and betterments" means all

1 decorating, fixtures, and furnishings installed or added to and  
2 located within the boundaries of the unit, including electrical  
3 fixtures, appliances, air conditioning and heating equipment,  
4 water heaters, ~~or~~ built-in cabinets installed by unit owners,  
5 or any other additions, alterations, or upgrades installed or  
6 purchased by any unit owner.

7 (c) Deductibles. The board of directors of the association  
8 may, in the case of a claim for damage to a unit or the common  
9 elements, (i) pay the deductible amount as a common expense,  
10 (ii) after notice and an opportunity for a hearing, assess the  
11 deductible amount against the owners who caused the damage or  
12 from whose units the damage or cause of loss originated, or  
13 (iii) require the unit owners of the units affected to pay the  
14 deductible amount.

15 (d) Other coverages. The declaration may require the  
16 association to carry any other insurance, including workers  
17 compensation, employment practices, environmental hazards, and  
18 equipment breakdown, the board of directors considers  
19 appropriate to protect the association, the unit owners, or  
20 officers, directors, or agents of the association.

21 (e) Insured parties; waiver of subrogation. Insurance  
22 policies carried pursuant to subsections (a) and (b) must  
23 include each of the following provisions:

24 (1) Each unit owner and secured party is an insured  
25 person under the policy with respect to liability arising  
26 out of the unit owner's interest in the common elements or

1 membership in the association.

2 (2) The insurer waives its right to subrogation under  
3 the policy against any unit owner of the condominium or  
4 members of the unit owner's household and against the  
5 association and members of the board of directors.

6 (3) The unit owner waives his or her right to  
7 subrogation under the association policy against the  
8 association and the board of directors.

9 (f) Primary insurance. If at the time of a loss under the  
10 policy there is other insurance in the name of a unit owner  
11 covering the same property covered by the policy, the  
12 association's policy is primary insurance.

13 (g) Adjustment of losses; distribution of proceeds. Any  
14 loss covered by the property policy under subdivision (a)(1)  
15 must be adjusted by and with the association. The insurance  
16 proceeds for that loss must be payable to the association, or  
17 to an insurance trustee designated by the association for that  
18 purpose. The insurance trustee or the association must hold any  
19 insurance proceeds in trust for unit owners and secured parties  
20 as their interests may appear. The proceeds must be disbursed  
21 first for the repair or restoration of the damaged common  
22 elements, the bare walls, ceilings, and floors of the units,  
23 and then to any improvements and betterments the association  
24 may insure. Unit owners are not entitled to receive any portion  
25 of the proceeds unless there is a surplus of proceeds after the  
26 common elements and units have been completely repaired or

1 restored or the association has been terminated as trustee.

2 (h) Mandatory unit owner coverage. The board of directors  
3 may, under the declaration and bylaws or by rule, require  
4 condominium unit owners to obtain insurance covering their  
5 personal liability and compensatory (but not consequential)  
6 damages to another unit caused by the negligence of the owner  
7 or his or her guests, residents, or invitees, or regardless of  
8 any negligence originating from the unit. The personal  
9 liability of a unit owner or association member must include  
10 the deductible of the owner whose unit was damaged, any damage  
11 not covered by insurance required by this subsection, as well  
12 as the decorating, painting, wall and floor coverings, trim,  
13 appliances, equipment, and other furnishings.

14 ~~If the unit owner does not purchase or produce evidence of~~  
15 ~~insurance requested by the board, the directors may purchase~~  
16 ~~the insurance coverage and charge the premium cost back to the~~  
17 ~~unit owner. In no event is the board liable to any person~~  
18 ~~either with regard to its decision not to purchase the~~  
19 ~~insurance, or with regard to the timing of its purchase of the~~  
20 ~~insurance or the amounts or types of coverages obtained.~~

21 (i) Certificates of insurance. Contractors and vendors  
22 (except public utilities) doing business with a condominium  
23 association under contracts exceeding \$10,000 per year must  
24 provide certificates of insurance naming the association, its  
25 board of directors, and its managing agent as additional  
26 insured parties.

1           (j) Non-residential condominiums. The provisions of this  
2 Section may be varied or waived in the case of a condominium  
3 community in which all units are restricted to nonresidential  
4 use.

5           (k) Settlement of claims. Any insurer defending a liability  
6 claim against a condominium association must notify the  
7 association of the terms of the settlement no less than 10 days  
8 before settling the claim. The association may not veto the  
9 settlement unless otherwise provided by contract or statute.

10           (l) The changes to this Section made by this amendatory Act  
11 of the 98th General Assembly apply only to insurance policies  
12 issued or renewed on or after June 1, 2015.

13           (Source: P.A. 92-518, eff. 6-1-02.)

14           Section 99. Effective date. This Act takes effect June 1,  
15 2015.