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Additional Items to Note Related to Insurance Claims

* Claims under the association's insurance policy should be filed by the board and/or its managing agent. Owners should not be filing claims with the association's insurance carrier directly. Funds from the association's insurance policy are to be used for the restoration of the unit. That is, the association should be hiring and supervising the contractor in order to ensure that the repairs are made consistent with the association's policy and standards. Funds should not simply be handed over to the damaged owner.

* It is important that an association have a plan on how to handle insurable losses and undertake preventative maintenance to help prevent the same. As it relates to pipe bursts and other seasonal losses, associations should note the vacant units within the community, well in advance of the start of winter. Using the pipe burst example that was so common the past few winters, it should place the owners and mortgagees of those units on notice that the heat must be maintained within those units during the winter months, etc. The association should further confirm that all necessary insurance is on file. This especially is true for those townhome communities, which place the obligation of maintaining insurance on the unit on the owner.

* Owners (and the Board/management) should be reminded as to the difference between an insurable loss and a maintenance item. In advance, procedures and policies should be adopted relative to the filing of an insurance claim and the handling of the deductible (i.e. will it always be assessed back to the damaged units). Further, owners should be aware in advance how the damage to their unit will be addressed. That is, they should understand that for items which the association is responsible to repair, the contractor, etc., will be engaged and directed by the association. Hopefully, by having the association develop a plan for handling insurable losses (and taking action to proactively prevent them), there will be no surprises or questions when such a loss occurs.

* Owners think that it is to their benefit if an insurance claim can be filed under the association's policy. However, as with any insurance policy, the association's policy will contain a deductible amount. Owners oftentimes do not realize that they may be stuck paying the deductible. Section 12 (c) of the Illinois Condominium Property Act provides a board with several options for payment of the deductible. First, the association may pay the deductible as a common expense. Alternatively, it can assess the deductible back to the damaged owners or after notice and an opportunity for a hearing, the board can assess the deductible back to the owner from whose unit the cause of loss originated. Townhomes and other common interest communities should refer to the governing documents for guidance and create a policy regarding how the deductible will be handled.

* Just as an occurrence that does not qualify as an insurance claim for the association becomes a maintenance, repair and replacement issue for the association, if an owner does not have insurance, the cost to replace their personal property and improvements becomes their own out of pocket cost.