



This Bill Analysis reflects the contents of the bill as it was presented in committee.

HOUSE BILL 625: HOA/Condo Crime & Fidelity Insurance Policies.

2017-2018 General Assembly

Committee:	House Insurance. If favorable, re-refer to Finance	Date:	April 19, 2017
Introduced by:	Reps. Williams, Saine, J. Bell, Bradford	Prepared by:	Jeremy Ray Kristen L. Harris Committee Co-Counsel
Analysis of:	First Edition		

OVERVIEW: House Bill 625 would require condominium and homeowners' associations and their management companies to obtain a crime and fidelity insurance policy and require the associations' executive boards to perform annual independent financial audits.

CURRENT LAW: G.S. 47C-3-113 and G.S. 47F-3-113 regulate property and liability insurance coverage requirements for condominium and homeowners' associations. G.S. 47C-3-118 and G.S. 47F-3-118 require condominium and homeowners' associations to keep financial records and have procedures for auditing each association's books and records.

BILL ANALYSIS: Sections 1 and 5 would make conforming changes.

Sections 2 and 6 would require condominium and homeowners' associations ("associations") with annual assessments for common expenses of at least \$25,000 or with \$25,000 or more of total funds invested or on deposit to obtain and maintain a crime and fidelity insurance policy. The policy would insure the association against loses resulting from theft or dishonesty committed by the officers and members of the executive board, members of association committees, past and present, and persons employed by the associations. It would provide coverage for 125% of the total funds invested or on deposit, plus 125% of the association's annual budget, but would not be required to exceed \$1,000,000.

Any management agent or company hired by an association would be required to be covered by a crime and fidelity insurance policy in the amount of the total annual budgets of all clients of the management agent or company, but would not be required to exceed \$2,000,000.

If an association was unable to obtain a policy due to unavailability, it would be required to promptly notify all unit owners.

Sections 3 and 7 would remove the elective audit from an association's recordkeeping procedures. Audits would instead become mandatory annually under **Sections 4 and 8**.

Sections 4 and 8 would require the executive boards of associations to provide for an annual independent financial audit conducted by a certified public accountant if the association has annual revenues or expenditures or total account balances of \$150,000 or more.

EFFECTIVE DATE: This act becomes effective January 1, 2018. Audit requirements would apply to fiscal years beginning on or after the effective date of this act.

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