

## **Common Interest Community Board**

### **Guidance Document 6**

#### **Regarding the Requirement to Obtain and Maintain a Separate Fidelity Bond or Insurance Policy Required for Common Interest Community Managers to Comply with Section 54.1-2346.D of the Code of Virginia and 18 VAC 48-50-30.E of the Board's Regulations**

**Adopted September 20, 2012**

#### **I. Issue**

Applicants for licensure as a common interest community manager must provide proof of compliance with the bond/insurance policy provisions in 18 VAC 48-50-30.E of the Board's Regulations and § 54.1-2346.D of the Code of Virginia. Some applications have included the certificate of insurance for the association's policy, which is required for compliance with §§ 55-79.81.B (condominium unit owners' associations) or 55-514.2.B (property owners' associations), with the common interest community manager listed as "additional insured."

#### **II. Applicable Regulations and Statutes**

**18 VAC 48-50-30.E** of the Common Interest Community Manager Regulations states:

"The applicant for a common interest community manager license shall submit evidence of a blanket fidelity bond or employee dishonesty insurance policy in accordance with § 54.1-2346 D of the Code of Virginia. Proof of current bond or insurance policy with the firm as the named bondholder or insured must be submitted in order to obtain or renew the license. The bond or insurance policy must be in force no later than the effective date of the license and shall remain in effect through the date of expiration of the license."

§ **54.1-2346.D** of the Code of Virginia states:

"It shall be a condition of the issuance or renewal of the license of a common interest community manager that the common interest community manager shall obtain and maintain a blanket fidelity bond or employee dishonesty insurance policy insuring the common interest community manager against losses resulting from theft or dishonesty committed by the officers, directors, and persons employed by the common interest community manager. Such bond or insurance policy

shall include coverage for losses of clients of the common interest community manager resulting from theft or dishonesty committed by the officers, directors, and persons employed by the common interest community manager. Such bond or insurance policy shall provide coverage in an amount equal to the lesser of \$2 million or the highest aggregate amount of the operating and reserve balances of all associations under the control of the common interest community manager during the prior fiscal year. The minimum coverage amount shall be \$10,000.”

§ **55-79.81.B** of the Code of Virginia states:

“Any unit owners' association collecting assessments for common expenses shall obtain and maintain a blanket fidelity bond or employee dishonesty insurance policy insuring the unit owners' association against losses resulting from theft or dishonesty committed by the officers, directors, or persons employed by the unit owners' association, or committed by any common interest community manager or employees of the common interest community manager. Such bond or insurance policy shall provide coverage in an amount equal to the lesser of \$1 million or the amount of reserve balances of the unit owners' association plus one-fourth of the aggregate annual assessment of such unit owners' association. The minimum coverage amount shall be \$10,000. The executive organ or common interest community manager may obtain such bond or insurance on behalf of the unit owners' association.”

§ **55-514.2.B** of the Code of Virginia states:

“Any association collecting assessments for common expenses shall obtain and maintain a blanket fidelity bond or employee dishonesty insurance policy insuring the association against losses resulting from theft or dishonesty committed by the officers, directors, or persons employed by the association, or committed by any managing agent or employees of the managing agent. Such bond or insurance policy shall provide coverage in an amount equal to the lesser of \$1 million or the amount of the reserve balances of the association plus one-fourth of the aggregate annual assessment income of such association. The minimum coverage amount shall be \$10,000. The board of directors or managing agent may obtain such bond or insurance on behalf of the association.”

### **III. Board Policy**

The statutes and regulations clearly require a bond or insurance policy in compliance with the provisions of 18 VAC 48-50-30.E of

the Board's Regulations and § 54.1-2346.D of the Code of Virginia to be obtained and maintained by the common interest community manager separate from the association's policy required in compliance with §§ 55-79.81.B (condominium unit owners' associations) or 55-514.2.B (property owners' associations).