

SENATE BILL 1015

N1, C4

4lr2963
CF HB 1227

By: **Senator Charles**

Introduced and read first time: February 2, 2024

Assigned to: Judicial Proceedings

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 24, 2024

CHAPTER _____

1 AN ACT concerning

2 **Condominiums – Mandatory Insurance Coverage – Detached Units**

3 FOR the purpose of altering the types of elements and units for which a council of unit
4 owners is required to maintain certain property insurance; requiring the council of
5 unit owners to notify owners of detached units within a condominium of certain
6 property insurance coverage obligations; limiting instances when an owner of a
7 detached unit within a condominium is required to carry homeowners insurance on
8 the entirety of the unit; authorizing a council of unit owners to carry homeowners
9 insurance on the entirety of all units located within a certain condominium; and
10 generally relating to mandatory insurance coverage for condominiums.

11 BY repealing and reenacting, with amendments,

12 Article – Real Property

13 Section 11–114

14 Annotated Code of Maryland

15 (2023 Replacement Volume)

16 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

17 That the Laws of Maryland read as follows:

18 **Article – Real Property**

19 11–114.

20 (a) Commencing not later than the time of the first conveyance of a unit to a

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 person other than the developer, the council of unit owners shall maintain, to the extent
2 reasonably available:

3 (1) Property insurance against risks of direct physical loss commonly
4 insured against in amounts determined by the council of unit owners, but not less than any
5 amounts specified in the declaration or bylaws:

6 (i) For attached [or] **UNITS**, multifamily dwelling units, **OR**
7 **DETACHED UNITS LOCATED WITHIN A CONDOMINIUM NOT COMPOSED ENTIRELY OF**
8 **SIMILAR DETACHED UNITS**, on the common elements and units, exclusive of
9 improvements and betterments installed in units by unit owners other than the developer;
10 and

11 (ii) For detached units **LOCATED WITHIN A CONDOMINIUM**
12 **COMPOSED ENTIRELY OF SIMILAR DETACHED UNITS**, on the common elements; and

13 (2) Comprehensive general liability insurance, including medical
14 payments insurance, in an amount determined by the council of unit owners, but not less
15 than any amount specified in the declaration or bylaws, covering occurrences commonly
16 insured against for death, bodily injury, and property damage arising out of or in connection
17 with the use, ownership, or maintenance of the common elements.

18 (b) **(1) (I)** The council of unit owners shall give notice to all unit owners of
19 the termination of any insurance policy within 10 days of termination.

20 **(II)** The declaration or bylaws may require the council of unit owners
21 to carry any other insurance, and the council of unit owners in any event may carry any
22 other insurance it deems appropriate to protect the council of unit owners or the unit
23 owners.

24 **(2) (I) THE COUNCIL OF UNIT OWNERS SHALL GIVE AN ANNUAL**
25 **NOTICE, IN WRITING, OF ANY OBLIGATION OF AN OWNER OF A RESIDENTIAL,**
26 **DETACHED UNIT TO OBTAIN PROPERTY INSURANCE COVERAGE ON THE UNIT.**

27 **(II) IF THERE IS A CHANGE IN ANY OBLIGATION UNDER**
28 **SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE COUNCIL OF UNIT OWNERS SHALL**
29 **PROMPTLY PROVIDE THE UNIT OWNER WITH AN UPDATED NOTICE.**

30 (c) Insurance policies carried pursuant to subsection (a) of this section shall
31 provide that:

32 (1) Subject to the applicable coverage specified under subsection (a)(1) of
33 this section, each unit owner is an insured person under the policy with respect to liability
34 arising out of the unit owner's ownership of an undivided interest in the common elements
35 or membership in the council of unit owners for property and casualty losses to the common
36 elements and the units, exclusive of improvements and betterments installed in the units

1 by unit owners other than the developer;

2 (2) The insurer waives its right to subrogation under the policy against any
3 unit owner of the condominium or members of his household;

4 (3) An act or omission by any unit owner, unless acting within the scope of
5 his authority on behalf of the council of unit owners, does not void the policy and is not a
6 condition to recovery under the policy; and

7 (4) If, at the time of a loss under the policy, there is other insurance in the
8 name of a unit owner covering the same property covered by the policy, the policy is primary
9 insurance not contributing with the other insurance.

10 (d) (1) Subject to the applicable coverage specified under subsection (a)(1) of
11 this section, any loss covered by the property policy shall be adjusted with the council of
12 unit owners, but the insurance proceeds for that loss shall be payable to any insurance
13 trustee designated for that purpose, or otherwise to the council of unit owners, and not to
14 any mortgagee.

15 (2) The insurance trustee or the council of unit owners shall hold any
16 insurance proceeds in trust for unit owners and lien holders as their interests may appear.

17 (3) (i) Subject to the provisions of subsection (g) of this section, the
18 proceeds shall be disbursed first for the repair or restoration of the damaged common
19 elements and, for condominiums with attached [or] UNITS, multifamily units, **OR**
20 **DETACHED UNITS LOCATED WITHIN A CONDOMINIUM NOT COMPOSED ENTIRELY OF**
21 **SIMILAR DETACHED UNITS** that must maintain a property insurance policy on the units,
22 the damaged units.

23 (ii) Unit owners and lien holders are not entitled to receive payment
24 of any portion of the proceeds unless:

25 1. There is a surplus of proceeds after the common elements
26 and, for condominiums with attached [or] UNITS, multifamily units, **OR DETACHED UNITS**
27 **LOCATED WITHIN A CONDOMINIUM NOT COMPOSED ENTIRELY OF SIMILAR**
28 **DETACHED UNITS** that must maintain a property insurance policy on the units, the units
29 have been completely repaired or restored; or

30 2. The condominium is terminated.

31 (e) (1) An insurance policy issued to the council of unit owners does not
32 prevent a unit owner from obtaining insurance for his own benefit.

33 (2) ~~AN~~ **UNLESS A COUNCIL OF UNIT OWNERS EXERCISES THE**
34 **AUTHORITY UNDER PARAGRAPH (3) OF THIS SUBSECTION, AN** owner of a residential,
35 detached ~~unit,~~ unit **LOCATED WITHIN A CONDOMINIUM COMPOSED ENTIRELY OF**

1 SIMILAR DETACHED UNITS, shall carry homeowners insurance coverage on the entirety
2 of the unit.

3 **(3) A COUNCIL OF UNIT OWNERS MAY CARRY HOMEOWNERS**
4 **INSURANCE ON THE ENTIRETY OF ALL DETACHED UNITS LOCATED WITHIN A**
5 **CONDOMINIUM COMPOSED ENTIRELY OF SIMILAR DETACHED UNITS.**

6 (f) (1) An insurer that has issued an insurance policy under this section shall
7 issue certificates or memoranda of insurance to the council of unit owners and, upon
8 request, to any unit owner, mortgagee, or beneficiary under a deed of trust.

9 (2) An insurer may cancel an insurance policy issued under this section in
10 accordance with § 27–603 of the Insurance Article.

11 (g) (1) Subject to the applicable coverage specified under subsection (a)(1) of
12 this section, any portion of the common elements and the units, exclusive of improvements
13 and betterments installed in the units by unit owners other than the developer, damaged
14 or destroyed shall be repaired or replaced promptly by the council of unit owners unless:

15 (i) The condominium is terminated;

16 (ii) Repair or replacement would be illegal under any State or local
17 health or safety statute or ordinance; or

18 (iii) 80 percent of the unit owners, including every owner of a unit or
19 assigned limited common element which will not be rebuilt, vote not to rebuild.

20 (2) (i) 1. The cost of repair or replacement in excess of insurance
21 proceeds and reserves is a common expense.

22 2. A property insurance deductible is not a cost of repair or
23 replacement in excess of insurance proceeds.

24 (ii) If the cause of any damage to or destruction of any portion of the
25 condominium originates from the common elements or an event outside of the condominium
26 units and common elements, the council of unit owners' property insurance deductible is a
27 common expense.

28 (iii) 1. If the cause of any damage to or destruction of any portion
29 of the condominium originates from a unit, the owner of the unit where the cause of the
30 damage or destruction originated is responsible for the council of unit owners' property
31 insurance deductible not to exceed \$10,000.

32 2. The council of unit owners shall inform each unit owner
33 annually in writing of:

34 A. The unit owner's responsibility for the council of unit

1 owners' property insurance deductible; and

2 B. The amount of the deductible.

3 3. The council of unit owners' property insurance deductible
4 amount exceeding the \$10,000 responsibility of the unit owner is a common expense.

5 (iv) In the same manner as provided under § 11–110 of this title, the
6 council of unit owners may make an annual assessment against the unit owner responsible
7 under subparagraph (iii) of this paragraph.

8 (3) If the damaged or destroyed portion of the condominium is not repaired
9 or replaced:

10 (i) The insurance proceeds attributable to the damaged common
11 elements shall be used to restore the damaged area to a condition compatible with the
12 remainder of the condominium;

13 (ii) The insurance proceeds attributable to units and limited
14 common elements which are not rebuilt shall be distributed to the owners of those units
15 and the owners of the units to which those limited common elements were assigned; and

16 (iii) The remainder of the proceeds shall be distributed to all the unit
17 owners in proportion to their percentage interest in the common elements.

18 (4) (i) If the unit owners vote not to rebuild any unit, that unit's entire
19 common element interest, votes in the council of unit owners, and common expense liability
20 are automatically reallocated upon the vote as if the unit had been condemned under §
21 11–112 of this title, and the council of unit owners promptly shall prepare, execute, and
22 record an amendment to the declaration reflecting the reallocations.

23 (ii) Notwithstanding the provisions of this subsection, § 11–123 of
24 this title governs the distribution of insurance proceeds if the condominium is terminated.

25 (h) The council of unit owners shall maintain and make available for inspection a
26 copy of all insurance policies maintained by the council of unit owners.

27 (i) The provisions of this section do not apply to a condominium all of whose units
28 are intended for nonresidential use.

29 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
30 October 1, 2024.