

SENATE BILL 233

N1

3lr1943
CF 3lr1942

By: **Senator Klausmeier**

Introduced and read first time: January 23, 2023

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Condominiums – Property Insurance – Repair of Damage**

3 FOR the purpose of providing that a requirement that the council of unit owners of a
4 condominium repair or replace certain damage or loss applies in the event of a
5 covered loss; specifying that, in the case of a covered loss, the owner of the
6 condominium unit where the cause of certain damage or destruction originated is
7 responsible for a certain insurance deductible for the cost of certain repairs or
8 replacements; and generally relating to property insurance for condominiums and
9 repairs of damage.

10 BY repealing and reenacting, with amendments,
11 Article – Real Property
12 Section 11–114(g)
13 Annotated Code of Maryland
14 (2015 Replacement Volume and 2022 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
16 That the Laws of Maryland read as follows:

17 **Article – Real Property**

18 11–114.

19 (g) (1) **[Any] SUBJECT TO PARAGRAPH (2)(III)1 OF THIS SUBSECTION, IN**
20 **THE EVENT OF A LOSS COVERED BY A PROPERTY POLICY UNDER SUBSECTION (A)(1)**
21 **OF THIS SECTION, ANY** portion of the common elements and the units, exclusive of
22 improvements and betterments installed in the units by unit owners other than the
23 developer, damaged or destroyed shall be repaired or replaced promptly by the council of
24 unit owners unless:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



- 1 (i) The condominium is terminated;
- 2 (ii) Repair or replacement would be illegal under any State or local
3 health or safety statute or ordinance; or
- 4 (iii) 80 percent of the unit owners, including every owner of a unit or
5 assigned limited common element which will not be rebuilt, vote not to rebuild.

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

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

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

14 (iii) 1. **[If] IN THE EVENT OF A COVERED LOSS, IF** the cause of
15 any damage to or destruction of any portion of the condominium originates from a unit, the
16 owner of the unit where the cause of the damage or destruction originated is responsible
17 for the council of unit owners' property insurance deductible not to exceed \$10,000 **FOR**
18 **THE AGGREGATE COST TO REPLACE OR REPAIR THE RESULTING DAMAGE TO OR**
19 **DESTRUCTION OF:**

20 **A. THE UNIT, EXCLUSIVE OF IMPROVEMENTS AND**
21 **BETTERMENTS INSTALLED IN THE UNIT BY UNIT OWNERS OTHER THAN THE**
22 **DEVELOPER, IN WHICH THE DAMAGE OR DESTRUCTION ORIGINATED;**

23 **B. THE COMMON ELEMENTS; AND**

24 **C. ANY OTHER UNIT WITHIN THE CONDOMINIUM.**

25 2. The council of unit owners shall inform each unit owner
26 annually in writing of:

27 A. The unit owner's responsibility for the council of unit
28 owners' property insurance deductible; and

29 B. The amount of the deductible.

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

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

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

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

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

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

14 (4) **(I)** If the unit owners vote not to rebuild any unit, that unit's entire
15 common element interest, votes in the council of unit owners, and common expense liability
16 are automatically reallocated upon the vote as if the unit had been condemned under §
17 11–112 of this title, and the council of unit owners promptly shall prepare, execute, and
18 record an amendment to the declaration reflecting the reallocations.

19 **(II)** Notwithstanding the provisions of this subsection, § 11–123 of
20 this title governs the distribution of insurance proceeds if the condominium is terminated.

21 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
22 October 1, 2023.