

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 1015

(Senator Charles)

Judicial Proceedings

Rules and Executive Nominations

Condominiums – Mandatory Insurance Coverage – Detached Units

This bill generally alters statutory provisions that govern insurance coverage for condominiums.

Fiscal Summary

State Effect: The bill does not directly affect State operations or finances.

Local Effect: The bill does not directly affect local government operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary/Current Law: Under current law, no later than the first conveyance of a condominium unit to a person other than the developer, the council of unit owners must maintain, to the extent reasonably available:

- property insurance in amounts determined by the council of unit owners, but no less than any amount specified in the declaration or bylaws (1) for attached or multifamily dwelling units, on the common elements and units, exclusive of improvements and betterments installed in units by unit owners other than the developer and (2) for detached units, on the common elements only; and
- comprehensive general liability insurance, as specified.

Under the bill, the property insurance required to be maintained is (1) for attached *units*, multifamily dwelling units, or *detached units located within a condominium not composed*

entirely of similar detached units, on the common elements and units, exclusive of improvements and betterments installed in units by unit owners other than the developer and (2) for detached units *located within a condominium composed entirely of similar detached units*, on the common elements only.

The bill also requires a council of unit owners to provide annual written notice regarding any obligation of a unit owner of a residential, detached unit to maintain property insurance coverage on the unit. Additionally, in the event of any modification to this obligation, the council of unit owners must promptly provide an updated notice.

Under current law, on a loss covered by the property policy, subject to additional provisions in statute, the proceeds from the insurance policy must be disbursed first for the repair or restoration of the damaged common elements and, for condominiums with attached or multifamily units that must maintain a property insurance policy on the units, the damaged units. The bill adds *detached units located within a condominium not composed entirely of similar detached units* to this provision and makes a similar conforming change.

Under current law, an owner of a residential, detached unit must carry homeowners insurance coverage on the entirety of the unit. The bill limits the requirement to when the detached unit is *located within a condominium composed entirely of similar detached units*. However, the bill also creates an exception to the requirement for owner-carried homeowners insurance coverage on detached units if the council of unit owners obtains homeowners insurance on the entirety of all detached units located within a condominium composed entirely of similar detached units; the bill also grants the council of unit owners authority to carry such insurance.

For more information on condominiums, a type of common ownership community, see the **Appendix – Common Ownership Communities**.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 1227 (Delegates Holmes and Arentz) - Environment and Transportation.

Information Source(s): Office of the Attorney General (Consumer Protection Division); Judiciary (Administrative Office of the Courts); Maryland Insurance Administration; Department of Legislative Services

Fiscal Note History: First Reader - February 27, 2024
rh/jkb Third Reader - May 2, 2024
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Appendix – Common Ownership Communities

When a person purchases a single-family home, condominium, or an interest in a cooperative housing corporation, he or she may also be required to join an association of owners, which is intended to act in the common interests of all the homeowners, condominium unit owners, or cooperative owners in the community. Collectively, these associations are often referred to as common ownership communities (COCs). In Maryland, a growing number of newly constructed or newly converted residences are located in some form of a COC. Because registration of the various COCs is not required statewide, the exact number of COCs in Maryland is unknown. However, the Foundation for Community Association Research estimated that there were 7,100 community associations with an estimated 1 million residents in these associations in the State in 2023.

The affairs of a condominium are governed by a council of unit owners, which comprises all unit owners. Among other powers, the council of unit owners has the power to impose assessments on the unit owners to pay common expenses. A council of unit owners may delegate its powers to a board of directors, officers, or a managing agent. Condominiums are governed under Title 11 of the Real Property Article.

Many new housing developments are subject to a homeowners association (HOA) that is created by a governing document and has the authority to impose mandatory fees on lots in the development in connection with the provision of services or for the benefit of the lots, the lot owners, or the common areas. HOAs are governed under Title 11B of the Real Property Article.

A cooperative housing corporation or “cooperative” is a corporation that owns real property. A resident of a cooperative does not own his or her unit; instead, the person owns an interest in the corporation, which leases the unit to the person for residential use. Cooperatives are governed by the laws in Title 5, Subtitle 6B of the Corporations and Associations Article.

Condominiums and HOAs may be authorized by their governing documents to impose liens on units or lots to collect unpaid assessments or fees. In a cooperative, the governing documents usually provide for the collection of delinquent fees, and evictions for outstanding fees are generally pursued by way of a landlord-tenant action.

Task Force on Common Ownership Communities

With a growing number of Marylanders residing in COCs, and evidence that some COCs had issues with governance, dispute resolution, and financial stability, the

General Assembly created the Task Force on Common Ownership Communities in 2005 (Chapter 469 of 2005). The issues addressed by the task force included the availability of alternative dispute resolution services, special considerations of aging COCs, collection of assessments, and resale of homes within COCs. The task force met 10 times, held five public hearings, and submitted its [final report](#) in December 2006. The report's findings and recommendations have served, in subsequent years, as the basis for numerous pieces of legislation intended to improve the operation of COCs.

The task force's report also featured findings and recommendations relating to the creation of an ombudsman in local governments. Since the report's release, Prince George's County created its Common Ownership Communities Program in 2007 with the stated purpose of assisting governing bodies, as well as owners and residents of HOAs, residential condominiums, and cooperative housing corporations, with education, training, and alternative dispute resolution. Charles and Montgomery counties have offices dedicated to COCs that predate the task force.