

# HOUSE BILL 1227

N1, C4

4lr2869  
CF SB 1015

---

By: **Delegates Holmes and Arentz**

Introduced and read first time: February 8, 2024

Assigned to: Environment and Transportation

---

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 2, 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; and generally relating to mandatory insurance coverage for  
9 condominiums.

10 BY repealing and reenacting, with amendments,

11 Article – Real Property

12 Section 11–114

13 Annotated Code of Maryland

14 (2023 Replacement Volume)

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.

---

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 (a) Commencing not later than the time of the first conveyance of a unit to a  
2 person other than the developer, the council of unit owners shall maintain, to the extent  
3 reasonably available:

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

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

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

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

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

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

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

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

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

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

1 elements and the units, exclusive of improvements and betterments installed in the units  
2 by unit owners other than the developer;

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

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

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

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

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

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

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

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

31 2. The condominium is terminated.

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



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

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

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

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

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

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

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

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

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

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

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