

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 467

(Delegate Sophocleus, *et al.*)

Judiciary

Judicial Proceedings

Community Associations - Civil Liability

This bill adds community associations to the list of associations or organizations covered by the liability limits under the Maryland Associations, Organizations, and Agents Act.

The bill applies only prospectively and applies to causes of action arising on or after October 1, 2003.

Fiscal Summary

State Effect: Any expenditures for the Office of the Secretary of State associated with maintaining a registry of community associations could be handled within existing resources.

Local Effect: None.

Small Business Effect: Potential minimal.

Analysis

Bill Summary: The bill includes a community association within the definition of “association or organization” for purposes of the provision that limits the liability of an agent of an association or organization under the Maryland Associations, Organizations, and Agents Act. Under the bill, a community association is a nonprofit organization registered with the Secretary of State and is either composed of:

- at least 25% of the adult residents of a local community that: (1) consists of at least 40 households and is defined by specific geographic boundaries; (2) requires the payment of dues at least annually; (3) promotes social welfare and general civic improvement; and (4) in the case of a corporation, is in good standing; or
- more than one of the organizations described above if each organization meets the requirements described above.

The bill authorizes a nonprofit organization that has been in existence for at least five years and promotes social welfare and general civic improvement to register with the Secretary of State as a community association by filing an affidavit that the organization meets the bill's definition of a community association.

Current Law: Generally, under the Maryland Associations, Organizations, and Agents Act, an agent of an association or organization is not personally liable for damages in any suit if:

- the association or organization maintains insurance covering liability incurred by it or its agents, or both, as a result of the acts or omissions of its agents in providing services or performing duties on behalf of the association or organization;
- the terms of the insurance policy provide coverage for the act or omission that is the subject matter of the suit and there is no meritorious basis denying coverage by the insurer; and
- the insurance has a coverage limit of at least: (1) \$200,000 per individual claim and \$500,000 per total claims arising from the same occurrence or \$750,000 per policy year and \$500,000 per total claims that arise from the same occurrence; and (2) a deductible amount of no more than \$10,000 per occurrence or a coinsurance rate of no more than 20%, whichever is applicable.

Under the Maryland Associations, Organizations, and Agents Act, an association or organization means: (1) an athletic club; (2) a charitable organization; (3) a civic league or organization; (4) a cooperative housing corporation; (5) a condominium's council of unit owners; or (6) a homeowners' association.

Additional Information

Prior Introductions: Similar bills were introduced in the 1999, 2000, and 2002 sessions. HB 913 of 1999, HB 78 of 2000, and HB 568 of 2002 each received an unfavorable report from the Judiciary Committee.

Cross File: None.

Information Source(s): Secretary of State, Department of Legislative Services

Fiscal Note History: First Reader - February 19, 2003
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