

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 430

(Senators Stone and Giannetti)

Judicial Proceedings

Judiciary

Community Associations - Civil Liability

This bill alters the definition of “community association” for the purposes of specified provisions of law that limit the civil liability of community associations and their agents under specified circumstances.

The bill only applies prospectively to causes of action arising on or after the October 1, 2005 effective date.

Fiscal Summary

State Effect: None. The change would not directly affect judicial operations or expenditures.

Local Effect: None – see above.

Small Business Effect: None.

Analysis

Bill Summary: The bill alters the membership requirements for a nonprofit association, corporation, or other organization in order to qualify as a “community association” for purposes of current law limiting the liability of specified associations and organizations and their agents. Under the bill, an organization may qualify if it is composed of at least 100 adult residents, but less than 25% of the residents, of a local community that meets all other criteria and was organized on or before January 1, 2000 and has been in continuous operation since that date.

Current Law: “Community association” means a nonprofit association, corporation, or other organization that registers with the Secretary of State and:

- is composed of at least 25% of the adult residents of a local community that:
 - consists of at least 40 households; and
 - is defined by specific geographic boundaries in the bylaws or charter of the organization;
- at least annually, requires the payment of dues;
- promotes social welfare and general civic improvement; and
- in the case of a corporation, is in good standing.

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 the association or organization 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 under which the insurance is maintained provide coverage for the act or omission which is the subject matter of the suit and no meritorious basis exists for the denial of the coverage by the insurance carrier; and
- the insurance has specified limits and deductibles.

The liability of the association or organization is limited to the extent of the applicable limit of insurance coverage, including any deductible or coinsurance.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts), Department of Legislative Services

Fiscal Note History: First Reader - March 4, 2005
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