

Department of Legislative Services  
Maryland General Assembly  
2008 Session

FISCAL AND POLICY NOTE

House Bill 1496 (Delegate Bohanan)  
Environmental Matters

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Condominiums - Property Insurance Coverage and Repair of Units

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This bill authorizes the governing body of a condominium with less than 100 units to choose not to maintain property insurance on the units. The bill also exempts condominiums with less than 100 units that choose not to maintain property insurance on the units from current statutory requirements governing repair or replacement of damaged condominium property.

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Fiscal Summary

**State Effect:** The bill would not directly affect State finances or operations. If the Attorney General's Office receives fewer than 50 complaints per year stemming from the bill, the additional workload could be handled with existing resources.

**Local Effect:** The bill would not directly affect local finances or operations.

**Small Business Effect:** Potential minimal.

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Analysis

**Current Law:** A condominium council of unit owners must maintain, to the extent reasonably available, comprehensive general liability insurance and property insurance on the common elements and units, excluding improvements installed in units by unit owners. Each unit owner is an insured person under the policy with respect to liability arising out of the owner's ownership of an undivided interest in the common elements or membership in the council of unit owners. The cost of repair or replacement in excess of insurance proceeds and reserves is a common expense. Any portion of the condominium

that is damaged or destroyed must be repaired or replaced promptly by the council of unit owners unless • the condominium is terminated; • repair or replacement would be illegal; or • 80% of the unit owners, including every owner of a unit or assigned limited common element that would not be rebuilt, vote not to rebuild.

**Background:** Chapter 469 of 2005 established the Task Force on Common Ownership Communities. The full task force met 10 times during 2006 and conducted 5 public hearings, at which public comments were solicited. In addition, subcommittees comprised of task force members met several times. Although the task force did not specifically address the subject matter of this bill, it did address concerns that property insurance premiums have increased substantially over the last five years. The task force noted that many councils of unit owners have found it necessary to increase the deductibles on their master condominium policies in order to obtain more affordable insurance premium bills.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Secretary of State; Maryland Insurance Administration; Office of the Attorney General (Consumer Protection Division); Department of Legislative Services

**Fiscal Note History:** First Reader - March 17, 2008  
mam/jr

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