

Department of Legislative Services  
Maryland General Assembly  
2010 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 800

(Senator Klausmeier)

Judicial Proceedings

Environmental Matters

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Common Ownership Communities - Fidelity Insurance - Exemption

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This bill exempts the governing body of a cooperative housing corporation, condominium, or homeowners association with (1) four or fewer members, units, or lot owners; and (2) less than \$2,500 of gross common charges, annual assessments, or annual fees during a three-month period from provisions that require the purchase and maintenance of a fidelity insurance policy.

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Fiscal Summary

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

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

**Small Business Effect:** Potential minimal.

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Analysis

**Current Law/Background:** Chapters 77 and 78 of 2009 required the governing body of a common ownership community (COC) to purchase fidelity insurance no later than the time of the first sale of a cooperative interest or first conveyance of a unit or lot to a person other than the developer. The fidelity insurance must provide for the indemnification of the COC against loss resulting from acts or omissions arising from fraud, dishonesty, or criminal acts by the COC's officers, directors, managing agents, management companies, or other agents or associated employees.

A copy of the fidelity insurance policy must be included in the books and records kept and made available by or on behalf of COC as required by law. The amount of the

fidelity insurance must equal the lesser of either (1) three months' worth of gross common charges, annual assessments, or annual fees and the total amount held in all investment accounts at the time the fidelity insurance is issued or (2) \$3.0 million. The total liability of the insurance to all insured persons under the fidelity insurance may not exceed the sum of the fidelity insurance.

If a member, unit owner, or lot owner believes that the board of directors, council of unit owners, or other governing body of a COC has failed to comply with the requirements of the bill, the aggrieved person may submit the dispute to the Consumer Protection Division of the Office of the Attorney General.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Office of the Attorney General (Consumer Protection Division),  
Department of Legislative Services

**Fiscal Note History:** First Reader - March 3, 2010  
mam/kdm Revised - Senate Third Reader - April 6, 2010

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