

HOUSE BILL 1534

N1, C4

4r3115
CF 4r3386

By: **Delegates Arentz and McDermott**

Rules suspended

Introduced and read first time: March 4, 2014

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Condominiums – Property and Liability Insurance – Detached Units**

3 FOR the purpose of exempting certain detached units and owners of detached units
4 from certain property and liability insurance requirements; defining a certain
5 term; making a technical change; and generally relating to property and
6 liability insurance requirements under the Maryland Condominium Act.

7 BY renumbering

8 Article – Real Property

9 Section 11–101(g) through (r), respectively

10 to be Section 11–101(h) through (s), respectively

11 Annotated Code of Maryland

12 (2010 Replacement Volume and 2013 Supplement)

13 BY repealing and reenacting, without amendments,

14 Article – Real Property

15 Section 11–101(a)

16 Annotated Code of Maryland

17 (2010 Replacement Volume and 2013 Supplement)

18 BY adding to

19 Article – Real Property

20 Section 11–101(g)

21 Annotated Code of Maryland

22 (2010 Replacement Volume and 2013 Supplement)

23 BY repealing and reenacting, with amendments,

24 Article – Real Property

25 Section 11–114

26 Annotated Code of Maryland

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (2010 Replacement Volume and 2013 Supplement)

2 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
3 MARYLAND, That Section(s) 11–101(g) through (r), respectively, of Article – Real
4 Property of the Annotated Code of Maryland be renumbered to be Section(s) 11–101(h)
5 through (s), respectively.

6 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
7 read as follows:

8 **Article – Real Property**

9 11–101.

10 (a) In this title the following words have the meanings indicated unless
11 otherwise apparent from context.

12 **(G) “DETACHED UNIT” MEANS A UNIT THAT DOES NOT SHARE A**
13 **COMMON WALL, FLOOR, OR CEILING WITH ANY OTHER UNIT.**

14 11–114.

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

18 (1) Property insurance on the common elements and units, exclusive of
19 improvements and betterments installed in units by unit owners other than the
20 developer, insuring against those risks of direct physical loss commonly insured
21 against, in amounts determined by the council of unit owners but not less than any
22 amounts specified in the declaration or bylaws; and

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

28 (b) The council of unit owners shall give notice to all unit owners of the
29 termination of any insurance policy within 10 days of termination. The declaration or
30 bylaws may require the council of unit owners to carry any other insurance, and the
31 council of unit owners in any event may carry any other insurance it deems
32 appropriate to protect the council of unit owners or the unit owners.

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

1 (1) For property and casualty losses to the common elements and the
2 units, exclusive of improvements and betterments installed in the units by unit
3 owners other than the developer, each unit owner is an insured person under the
4 policy with respect to liability arising out of his ownership of an undivided interest in
5 the common elements or membership in the council of unit owners;

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

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

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

14 (d) Any loss covered by the property policy under subsection (a)(1) of this
15 section shall be adjusted with the council of unit owners, but the insurance proceeds
16 for that loss shall be payable to any insurance trustee designated for that purpose, or
17 otherwise to the council of unit owners, and not to any mortgagee. The insurance
18 trustee or the council of unit owners shall hold any insurance proceeds in trust for unit
19 owners and lien holders as their interests may appear. Subject to the provisions of
20 subsection (g) of this section, the proceeds shall be disbursed first for the repair or
21 restoration of the damaged common elements and units, and unit owners and lien
22 holders are not entitled to receive payment of any portion of the proceeds unless there
23 is a surplus of proceeds after the common elements and units have been completely
24 repaired or restored, or the condominium is terminated.

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

27 (f) (1) An insurer that has issued an insurance policy under this section
28 shall issue certificates or memoranda of insurance to the council of unit owners and,
29 upon request, to any unit owner, mortgagee, or beneficiary under a deed of trust.

30 (2) An insurer may cancel an insurance policy issued under this
31 section in accordance with § 27-603 of the Insurance Article.

32 (g) (1) Any portion of the common elements and the units, exclusive of
33 improvements and betterments installed in the units by unit owners other than the
34 developer, damaged or destroyed shall be repaired or replaced promptly by the council
35 of unit owners unless:

36 (i) The condominium is terminated;

1 (ii) Repair or replacement would be illegal under any State or
2 local health or safety statute or ordinance; or

3 (iii) 80 percent of the unit owners, including every owner of a
4 unit or assigned limited common element which will not be rebuilt, vote not to rebuild.

5 (2) (i) 1. The cost of repair or replacement in excess of
6 insurance proceeds and reserves is a common expense.

7 2. A property insurance deductible is not a cost of repair
8 or replacement in excess of insurance proceeds.

9 (ii) If the cause of any damage to or destruction of any portion of
10 the condominium originates from the common elements, the council of unit owners'
11 property insurance deductible is a common expense.

12 (iii) 1. If the cause of any damage to or destruction of any
13 portion of the condominium originates from a unit, the owner of the unit where the
14 cause of the damage or destruction originated is responsible for the council of unit
15 owners' property insurance deductible not to exceed \$5,000.

16 2. The council of unit owners shall inform each unit
17 owner annually in writing of:

18 A. The unit owner's responsibility for the council of unit
19 owners' property insurance deductible; and

20 B. The amount of the deductible.

21 3. The council of unit owners' property insurance
22 deductible amount exceeding the \$5,000 responsibility of the unit owner is a common
23 expense.

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

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

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

32 (ii) The insurance proceeds attributable to units and limited
33 common elements which are not rebuilt shall be distributed to the owners of those

1 units and the owners of the units to which those limited common elements were
2 assigned; and

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

5 (4) If the unit owners vote not to rebuild any unit, that unit's entire
6 common element interest, votes in the council of unit owners, and common expense
7 liability are automatically reallocated upon the vote as if the unit had been condemned
8 under § 11-112 of this title, and the council of unit owners promptly shall prepare,
9 execute, and record an amendment to the declaration reflecting the reallocations.
10 Notwithstanding the provisions of this subsection, § 11-123 of this title governs the
11 distribution of insurance proceeds if the condominium is terminated.

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

14 (i) The provisions of this section do not apply to:

15 (1) [a] A condominium all of [whose units] **THE UNITS OF WHICH**
16 are intended for nonresidential use; **OR**

17 (2) **A DETACHED UNIT OF A CONDOMINIUM OR AN OWNER OF A**
18 **DETACHED UNIT.**

19 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
20 October 1, 2014.