

Chapter 56

(House Bill 108)

AN ACT concerning

Condominiums – Responsibility for Property Insurance Deductibles

FOR the purpose of altering, in the case of a council of unit owners' responsibility to repair damage to or replace certain portions of a condominium, the circumstances under which the council of unit owners' property insurance deductible is a common expense; increasing the maximum amount of the council of unit owners' property insurance deductible for which a unit owner is responsible under certain circumstances; making a conforming change; providing for the application of this Act; and generally relating to the responsibility for property insurance deductibles in condominiums.

BY repealing and reenacting, with amendments,

Article – Real Property

Section 11–114(g)

Annotated Code of Maryland

(2015 Replacement Volume and 2019 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Real Property

11–114.

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

(i) The condominium is terminated;

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

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

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

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

(ii) If the cause of any damage to or destruction of any portion of the condominium originates from the common elements **OR AN EVENT OUTSIDE OF THE CONDOMINIUM UNITS AND COMMON ELEMENTS**, the council of unit owners' property insurance deductible is a common expense.

(iii) 1. If the cause of any damage to or destruction of any portion of the condominium originates from a unit, the owner of the unit where the cause of the damage or destruction originated is responsible for the council of unit owners' property insurance deductible not to exceed **[\$5,000] \$10,000**.

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

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

B. The amount of the deductible.

3. The council of unit owners' property insurance deductible amount exceeding the **[\$5,000] \$10,000** responsibility of the unit owner is a common expense.

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

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

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

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

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

(4) If the unit owners vote not to rebuild any unit, that unit's entire common element interest, votes in the council of unit owners, and common expense liability are automatically reallocated upon the vote as if the unit had been condemned under § 11–112 of this title, and the council of unit owners promptly shall prepare, execute, and record an amendment to the declaration reflecting the reallocations. Notwithstanding the

provisions of this subsection, § 11–123 of this title governs the distribution of insurance proceeds if the condominium is terminated.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all policies of property and casualty insurance issued, delivered, or renewed in the State to a condominium council of unit owners as required under § 1–114 of the Real Property Article on or after October 1, 2020.

SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2020.

Enacted under Article II, § 17(c) of the Maryland Constitution, May 8, 2020.