

Article - Corporations and Associations

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§5-6B-27.

- (a) In this section, “fidelity insurance” includes a fidelity bond.
- (b) This section does not apply to a cooperative housing corporation:
 - (1) That has four or fewer members; and
 - (2) For which 3 months’ worth of gross common charges is less than \$2,500.
- (c)
 - (1) The board of directors or other governing body of a cooperative housing corporation shall purchase fidelity insurance not later than the time of the first sale of a cooperative interest with respect to a unit to a person other than the developer and shall keep fidelity insurance in place for each year thereafter.
 - (2) The fidelity insurance required under paragraph (1) of this subsection shall provide for the indemnification of the cooperative housing corporation against loss resulting from acts or omissions arising from fraud, dishonesty, or criminal acts by:
 - (i) Any officer, director, managing agent, or other agent or employee charged with the operation or maintenance of the cooperative housing corporation who controls or disburses funds; and
 - (ii) Any management company employing a management agent or other employee charged with the operation or maintenance of the cooperative housing corporation who controls or disburses funds.
- (d) A copy of the fidelity insurance policy or fidelity bond shall be included in the books and records kept and made available by or on behalf of the cooperative housing corporation under § 5-6B-26 of this subtitle.
- (e)
 - (1) The amount of the fidelity insurance required under subsection (c) of this section shall equal at least the lesser of:
 - (i) 3 months’ worth of gross common charges and the total amount held in all investment accounts at the time the fidelity insurance is issued;
 - or

(ii) \$3,000,000.

(2) The total liability of the insurance to all insured persons under the fidelity insurance may not exceed the sum of the fidelity insurance.

(f) If a member believes that the board of directors or other governing body of a cooperative housing corporation has failed to comply with the requirements of this section, the aggrieved member may submit the dispute to the Division of Consumer Protection of the Office of the Attorney General under § 5-6B-12 of this subtitle.

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