

Article - Real Property

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§11B–111.6.

- (a) In this section, “fidelity insurance” includes a fidelity bond.
- (b) This section does not apply to a homeowners association:
 - (1) That has four or fewer lot owners; and
 - (2) For which 3 months’ worth of gross annual homeowners association fees is less than \$2,500.
- (c)
 - (1) The board of directors or other governing body of a homeowners association shall purchase fidelity insurance not later than the time of the first conveyance of a lot to a person other than the declarant 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 homeowners association 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 homeowners association 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 homeowners association 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 homeowners association under § 11B–112 of this title.
- (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 annual homeowners association fees 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 lot owner believes that the board of directors or other governing body of a homeowners association has failed to comply with the requirements of this section, the aggrieved lot owner may submit the dispute to the Division of Consumer Protection of the Office of the Attorney General under § 11B-115 of this title.

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