

**Department of Legislative Services**  
Maryland General Assembly  
2025 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 1541 (Delegate Holmes)  
Environment and Transportation

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**Condominiums - Mandatory Insurance Coverage**

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This bill requires unit owners in residential condominiums, subject to limited exception, to maintain certain insurance coverage that meets specified requirements. Unit owners must provide proof of the insurance to the council of unit owners annually and upon request. If a unit owner fails to maintain the required insurance, the council of unit owners may obtain a policy on the owner's behalf and charge the premium as an assessment against the owner. In regard to an insurance policy acquired on behalf of a unit owner under these circumstances, the insurance carrier must pay directly to the council of unit owners the portion of the council's deductible that the unit owner is responsible for, as specified.

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**Fiscal Summary**

**State Effect:** The bill is not anticipated to materially affect State finances or operations.

**Local Effect:** The bill is not anticipated to materially affect local government finances or operations.

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary:** The bill's insurance requirements only apply to condominiums intended entirely for residential use and do not apply to condominiums composed entirely of similar detached units. The insurance policy required under the bill must include:

- waiver of the unit owner's right to subrogation against the council of unit owners and the council's insurance policies;

- coverage for the council of unit owners' property insurance deductible or a portion of the deductible, as specified;
- sufficient coverage to repair or replace the unit owner's personal property or the contents of the unit;
- loss of use coverage in an amount sufficient to provide at least 12 months of alternate housing if the owner is unable to live in the unit;
- personal liability coverage of at least \$500,000;
- loss assessment coverage of at least \$25,000; and
- dwelling or building property coverage of at least the greater of (1) \$25,000 or (2) the amount necessary to repair and replace alterations, additions, betterments, and investments made or acquired by the current unit owner and upgrades conveyed to the unit owner that the owner is responsible for insuring under the bylaws.

The bill also authorizes the bylaws of a condominium to require a unit owner to maintain an insurance policy with coverage in excess of that required under the bill.

**Current Law:** Generally, the Maryland Condominium Act (MCA) and the applicable governing documents (bylaws, rules, etc.) govern and regulate the operation and administration of condominiums in the State. MCA authorizes the bylaws of a condominium to require each unit owner to maintain a condominium unit owner insurance policy on the unit. If the bylaws require each unit owner to maintain unit owner insurance, the bylaws must also require each unit owner to provide evidence of the insurance coverage to the governing body on an annual basis.

#### *Insurance Policies Held by the Governing Body*

MCA specifies that no later than the first conveyance of a condominium unit to a person other than the developer, the council of unit owners must maintain, to the extent reasonably available:

- property insurance in amounts determined by the council of unit owners, but no less than any amount specified in the declaration or bylaws (1) for attached, multifamily dwelling units, or detached units located within a condominium not composed entirely of similarly detached units, on the common elements and units, exclusive of improvements and betterments installed in units by unit owners other than the developer and (2) for detached units located within a condominium composed entirely of similar detached units, on the common elements only; and
- comprehensive general liability insurance, as specified.

If any portion of the common elements and the units (generally exclusive of improvements/betterments installed in the units by owners) is damaged or destroyed, it

must promptly be repaired or replaced by the council of unit owners unless (1) the condominium is terminated; (2) repair or replacement would be illegal under any State or local health or safety statute or ordinance; or (3) 80% of the unit owners, including every owner of a unit or assigned limited common element, which will not be rebuilt, vote not to rebuild.

Generally, the cost of repair or replacement in excess of insurance proceeds and reserves is a common expense. A property insurance deductible is not a cost of repair or replacement in excess of insurance proceeds. When damage or destruction within the condominium originates from a unit, the owner of that unit is responsible for the council of unit owners' property insurance deductible, up to a maximum of \$10,000.

Unit owners must be informed annually in writing of their responsibility for the council of unit owners' property insurance deductible and the deductible's amount. Any deductible amount exceeding the \$10,000 for which a unit owner is responsible constitutes a common expense.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Office of the Attorney General (Consumer Protection Division); Judiciary (Administrative Office of the Courts); Maryland Insurance Administration; Department of Legislative Services

**Fiscal Note History:** First Reader - March 10, 2025  
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