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BULLETIN 24-22

DATE: September 9, 2024

TO: Property and Casualty Insurance Carriers and Producers, Condominium Owners, and Councils of Unit Owners

RE: Mandatory Insurance Coverage for Detached Condominium Units

The Maryland Insurance Administration (the “Administration”) is issuing this Bulletin to provide notice that 2024 Maryland Laws Ch. 296 (House Bill 1227 from the 2024 Legislative Session)¹ will become effective on October 1, 2024. The law alters the types of elements and units for which a council of unit owners is required to maintain certain property insurance, and limits instances when an owner of a unit within a condominium is required to carry homeowners insurance on the entirety of their unit.² Please note that this Bulletin supersedes [Bulletin 23-15](#).

In sum, the law supplants the prior requirement that the owner of any unit located within any condominium carry homeowners insurance on the entirety of the unit. It instead requires that the owner of a detached unit located within a condominium composed entirely of similar detached units carry homeowners insurance coverage on the entirety of the unit, unless the council of unit owners has opted to maintain this coverage. The law amends Section 11-114 of the Real Property Article³ as described below.

Effective October 1, 2024, § 11-114(a) requires the council of unit owners to maintain property insurance against risks of direct physical loss commonly insured against in amounts not less than any amounts specified in the declaration or bylaws as follows:

¹ House Bill 1227 from the 2024 Legislative Session can be accessed at <https://mgaleg.maryland.gov/mgawebsite/Legislation/Details/HB1227>.

² House Bill 1227 from the 2024 Legislative Session alters requirements set forth in House Bill 98 from the 2023 Legislative Session.

³ Statutory provisions referenced in this Bulletin are within the Real Property Article of the Annotated Code of Maryland.

- If the condominium contains a mix of attached and detached units, the council of unit owners must maintain insurance coverage on the common elements and the units, exclusive of improvements and betterments installed in the units by unit owners other than the developer; and
- If the condominium is composed entirely of similar detached units, the council of unit owners is required to maintain insurance coverage for the common elements only.

Effective October 1, 2024, § 11-114(e)(2)-(3) provides that, for a condominium composed entirely of similar detached units:

- The council of unit owners may, but is not required to, carry homeowners insurance on the entirety of all detached units;⁴ and
- If the council of unit owners does not voluntarily carry homeowners insurance on the entirety of all detached units, the unit owners must carry homeowners insurance on the entirety of their respective units.

Effective October 1, 2024, § 11-114(b)(2) requires the council of unit owners to give an owner of a residential, detached unit an annual written notice of any obligation the owner has to obtain property insurance coverage on the unit. If there is a change in any such obligation, the council of unit owners must promptly give the unit owner an updated notice.

Effective October 1, 2024, § 11-114(d)(3) requires that insurance proceeds for a loss covered under an insurance policy the council of unit owners for a condominium that contains a mix of attached and detached units is required to maintain pursuant to § 11-114(a) be distributed as follows:

- Subject to § 11-114(g), proceeds shall be disbursed first for the repair or restoration of the damaged common elements and the damaged units.
- Unit owners and lien holders are not entitled to receive payment of any portion of the proceeds unless:
 - There is a surplus of proceeds after the common elements and the units have been completely repaired or restored; or
 - The condominium is terminated.

Questions about this Bulletin may be directed to:

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Additional information regarding homeowners insurance or condominium master policy coverage can be found on the Administration's website: www.insurance.maryland.gov.

Joy Y. Hatchette
 Acting Insurance Commissioner

⁴ If the council of unit owners includes the units under its master policy, the unit owners may still need homeowners insurance (type HO-6) to cover their improvements and betterments, personal property, liability, etc.