Prince George's County Maryland

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County Executive

Prince Georges County, MD Proud Get to Know Us

People Sharing Common Ground
Prince George's County, Maryland

COMMON OWNERSHIP COMMUNITIES

ELEMENTS

- Common Ownership Communities: Our Purpose and Functions
- The Commission on Common Ownership Communities
- Types of Common Ownership Communities
- Alternative Dispute Resolution (ADR)

COMMON OWNERSHIP COMMUNITIES

Purpose & Functions

PURPOSE

The Common Ownership Communities (COC) Division was established in 2007 by the Prince George's County Council via CB-015-2007.

COC is charged with assisting governing bodies, owners, and residents of homeowners associations, residential condominiums, and cooperative housing corporations with education, training, and alternative dispute resolution services in matters relating to these communities.

PURPOSE

The CCOC was created in order to address the following areas:

- Ensure the proper establishment and operation of homeowners associations, condominium associations, and cooperative housing corporations
- Promote education, public awareness and association membership understanding of the rights and obligations of living in a COC
- Reduce the number and divisiveness of disputes and encourage informal resolution of disputes
- Maintain property values and quality of life in COCs
- Assist and oversee the development of coordinated community and government policies, programs and services which support COCs
- Prevent potential public financial liability for repair or replacement of COC facilities

FUNCTIONS

COC offers a variety of services to constituents living in common ownership communities in Prince George's County, such as:

- Board trainings
- Clarify and interpret governing documents
- Educate community members of the rights and responsibilities of homeowners, associations, and management companies
- Assisting in dispute resolution between homeowners and boards or management companies
- Connecting stakeholders to additional resources within the County

THE COMMISSION ON
COMMON OWNERSHIP COMMUNITIES

ESTABLISHMENT OF THE COMMISSION

In 2015, CB-049-2015 established the Commission on Common Ownership Communities (CCOC). Commissioners are stakeholders in the community appointed by the County Executive.

Voting members consist of:

Five (5) unit/lot owners or residents of COCs	*Four (4) members of professions associated with COCs*

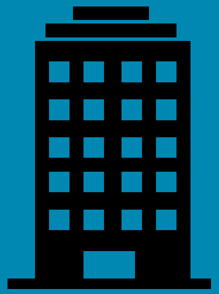
Ex-officio non-voting members are selected from:

Department of Permitting, Inspections & Enforcement (DPIE)	*Department of Public Works & Transportation (DPW&T)*	*Department of Housing & Community Development (DHCD)*	*Maryland Office of the Attorney General*	*Prince George's County Office of Law*

TYPES OF COMMON OWNERSHIP COMMUNITIES

There are three main types of common ownership communities in Prince George's County:

Homeowners Associations



Condominium Associations

Cooperative Housing Corporations

HOMEOWNERS ASSOCIATIONS

A homeowners association (HOA) is an organization in a subdivision or planned community that makes and enforces rules for the properties and their residents. Those who purchase property within an HOA's jurisdiction automatically become members and are required to pay dues, known as HOA fees.

HOAs are generally run by a board of directors and collect fees from homeowners to pay for the upkeep of common areas and facilities. The board of directors is responsible for making and enforcing rules and regulations relating to the properties within their jurisdiction. Enforcement may include actions such as imposing fines or liens for noncompliant homeowners.

CONDOMINIUM ASSOCIATIONS

A condominium is a type of housing, usually attached, where the owners own their unit and a portion of the private land that it sits on. They also own a share in the amenities like swimming pools and clubhouses. Generally, the association owns the building itself, and homeowners are responsible for everything within the walls of their unit.

Condominium associations are similar to HOAs, in that rules and regulations are set and you agree to follow them when you buy your condominium. Similarly, condominium buildings have associations that govern the policies of the building, allocate expenses for maintenance, and collect periodical association fees that each owner pays for building, insurance and community maintenance. All owners of the condominiums are members of the association.

COOPERATIVE HOUSING CORPORATIONS

Cooperative Housing Corporations, commonly referred to as co-ops, offer a unique type of homeownership. In co-ops, each resident is considered a shareholder as opposed to a unit owner.

Co-ops may be self-managed or managed by an outside entity, depending upon their size and capacity. Cooperatives have a board of directors who, like boards of condos and HOA's, have decision making authority. Also, cooperatives issues stock certificates which in turn allow stock holders to sign an occupancy agreement to establish residency within the cooperative.

TYPES OF COOPERATIVE HOUSING CORPORATIONS

Three of the most popular types of co-ops are:

- Market Rate Co-ops: Allow partners to buy and sell shares at the current market rate.
- Limited Equity Co-ops: Restrictions are set for the price at which shares may be bought and sold.
- Leasing Co-ops: The co-op corporation leases the building, as opposed to owning it, and builds no equity. In such case, the co-op may have a cash reserve in hand to utilize if the building ever goes up for sale.

ADR AND COMMON OWNERSHIP COMMUNITIES

COUNTY LEGISLATION

CB-58-2015 amended the Common Ownership Communities (COC) program to assist associations with ADR practices and provide training and education around conflict resolution methods.

The Bill defines Alternative Dispute Resolution (ADR) as a process for people in conflict, which includes two or more participants, and trained alternative dispute resolution specialists. ADR may be requested by any interested party to the dispute.

FUNDAMENTALS OF ADR

ADR is a process in which individuals in dispute come together to discuss their issues. Participants are in charge of their own outcome, and are led through a process by the ADR practitioner.

Voluntary- ADR processes are voluntary. All participants must be in agreement to attend the session in order for the process to occur. During the session, participants may choose to end at any time.

Neutral- ADR practitioners do not take sides, nor do they give advice, opinions, or suggestions. Practitioners facilitate the conversation and lead participants through a process in which they use self determination- to come to resolution, if they so choose.

Confidential*- ADR practitioners do not share information between participants or with any outside entities. They cannot be subpoenaed to appear in court on any participants' behalf, and contents of the session(s) are not admissible in court.

EXCEPTIONS TO CONFIDENTIALITY

Though ADR practitioners hold all contents of the process as confidential, there are certain exceptions. ADR practitioners are mandated reporters in the following circumstances:

- Child Abuse
- Vulnerable Adult Abuse
- Credible Threats of Violence

BEFORE REQUESTING ADR

INITIAL STEPS

Prior to requesting ADR through Common Ownership Communities (COC), you must take the following steps:

- Make a good faith attempt to exhaust all procedures or remedies provided in your association documents
- Ensure that the matter has not already been ruled on by the courts
- Compile all relevant communications for the ADR practitioner’s review

SCREENING AND INTAKE

SCREENING

After an ADR request is received, all participants involved will go through a screening and intake process. These processes determine if the dispute is appropriate for ADR, and also if participants can speak on their own behalf.

If it is determined that all of the proper steps have been taken and the dispute is appropriate for mediation, an ADR practitioner will be assigned to the case and work with participants to schedule the initial session. Sessions are scheduled for two (2) hour blocks.

Dependent upon the type of dispute, there may be more than one session. The process remains voluntary throughout and may be stopped at any time by any participant, including the ADR practitioner.

EXCEPTIONS

COC will not provide ADR in circumstances involving:

- The title to any unit or common element
- The percentage interest or vote allocable to a unit
- The interpretation or enforcement of any warranty
- The collection of an assessment validly levied against a party
- The exercise of a governing body's judgment or discretion in taking or deciding not to take any legally authorized action

PROCESSES

ACCEPTED CASES

After being deemed appropriate for ADR, the following processes take place:

- COC will notify all parties of the filing, and the subsequent session.
- An ADR practitioner will be assigned to the case and schedule an ADR session within 30 days of the approved request.
- In cases that take place virtually (Skype, Zoom, etc.), a Consent Form must be returned to the ADR practitioner at least two (2) days prior to the session.
- Following the final session, the ADR practitioner will draft an agreement (if one was reached).
- Agreements are as binding as any other written contract and may be reviewed by an attorney prior to participants signing.

PARTICIPANT RESPONSIBILITIES

- A party may file a dispute with the office thirty (30) days after any procedure or remedy provided in the association documents has been initiated before the association.

- The community association may not take any action to enforce or implement its decision until the time to file a request for ADR has been exhausted and the opposing party has not requested ADR.

- When a dispute is filed with COC, an association may not take any action to enforce or implement the association's decision until the ADR process is completed.

- An association member may not file an action in the Prince George's County Court until they have first attempted ADR (per CB-58-2015).

ADMINISTRATIVE CONSIDERATIONS

- COC may investigate facts if it feels a dispute was not properly filed.
- The ADR request may be dismissed if no reasonable grounds are found to conclude that a violation of applicable law or a violation of any association document has occurred; or, it may be investigated further.
- The office may reconsider the dismissal of a filing in cases such as erroneous interpretation of law or documents, or material issues of fact necessary to a fair resolution.
- Dismissal of a dispute does not prevent a parties' right to file a claim in the appropriate court.

CONTACT US

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What is Condominium Insurance and How Does it Work?

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Maryland
INSURANCE ADMINISTRATION

This presentation does not provide legal advice. You should discuss specific questions with your trusted financial advisor or insurance producer.

Maryland
INSURANCE ADMINISTRATION

Agenda

- What is the Maryland Insurance Administration?
- What is a condominium?
- What is a master policy?
- What may be covered under the master policy?
- What is a unit owner’s policy?
- What coverages are available under a unit owner’s policy?
- Loss assessment coverage
- If I have a loss, how will my claim be paid?
- Filing a claim against the master policy
- Master policy deductible expense

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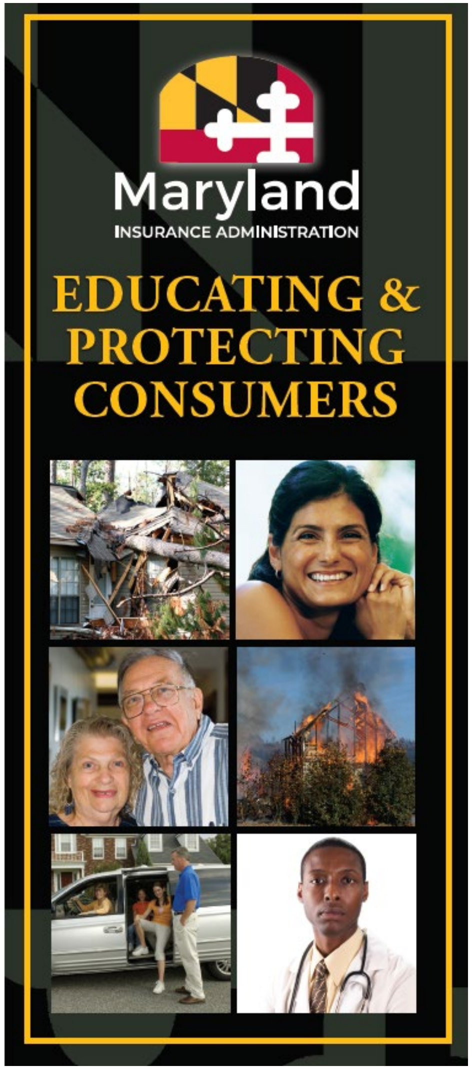
What is the Maryland Insurance Administration



The Maryland Insurance Administration (MIA) is the state agency that regulates insurance in Maryland. The MIA:

- Licenses insurers and insurance producers (agents or brokers).
- Examines the business practices of licensees to ensure compliance.
- Monitors solvency of insurers.
- Reviews/approves insurance policy forms.
- Reviews insurance rates to ensure rates are not inadequate, excessive or unfairly discriminatory.
- Investigates consumer and provider complaints and allegations of fraud.

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What is the Maryland Insurance Administration

If you feel that your insurer or insurance producer acted improperly, you have the right to file a complaint. Examples of improper actions include:

- Improperly denying or delaying payment of all or portions of a claim;
- Improperly terminating your insurance policy;
- Raising your insurance premiums without proper notice;
- Making false statements to you in connection with the sale of insurance or processing of insurance claims; and,
- Overcharging you for services, including premium finance charges.

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What is a Condominium?

Condominiums are a housing alternative for those who want to own a home, but don't want to be responsible for exterior maintenance such as lawn care or find that a single family home is beyond their budget. It may also be a second home, such as a vacation home at the beach.

Condominiums come in all shapes and sizes such as:

- A unit in a high-rise
- A garden style structure
- A townhouse

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What is a Condominium?

Generally, the individual owns the unit they reside in, and pays an assessment (also called a condo fee) to a condominium association, who maintains the common areas. Maryland law requires condominium associations to obtain insurance for the property.

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What is a Master Policy?

- The master policy is coverage purchased by the condominium association.
- The association is the policyholder, and each unit owner is an insured under the policy.
- The premium for the master policy is paid by the association and comes from the condo fees each unit owner must pay.

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What may be Covered under the Master Policy?

- Common elements such as sidewalks, hallways, parking lots, and recreation facilities (e.g. gyms, pools, etc.).
- The structures and systems that make up the building itself. The roof, walls, electric and plumbing, etc.
- The interior of the units including the ceilings, walls, floors and all the elements as conveyed with the unit when first constructed such as kitchen cabinets and bathroom fixtures. (A unit owner's personal property and any improvements the owner has made to the unit are not covered though.)

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What may be Covered under the Master Policy?

- The insurer will defend the association in the event of liability claims.
- Unit owners should talk with their condo association and review all documents to find out what is and what is not covered under their condo association's master policy.

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What is a Unit Owner’s Policy?

- A unit owner’s policy is a type of homeowners policy.
- Some condo association by-laws require unit owners to maintain an owner’s policy.
- It is purchased by the owner of the unit.
- It typically provides coverage for loss or damage resulting from covered losses.
- This type of policy often excludes flood, earthquake, neglect, war, nuclear accident or damage resulting from freezing if the unit is unoccupied and/or unheated.

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What Coverages are Available under a Unit Owner's Policy?

- Coverage for any additions or alterations to the interior of the unit made by the current or prior unit owner that are not covered under the master policy.
  - Additions and alterations can include items such as upgraded flooring, cabinetry, and built-ins.
- Coverage for contents, such as your clothing, furniture, a television and other personal property.

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What Coverages are Available under a Unit Owner's Policy?

- Coverage for Additional Living Expenses (ALE) if your unit becomes uninhabitable as a result of a covered loss. ALE may cover:
    - your cost of a place to stay for the reasonable period of time needed to make your unit habitable again up to the limits stated in the policy. This may be a hotel or a rental if the repairs will take a long time to complete.
    - the cost of meals beyond your normal costs if you have been placed in accommodations that do not provide facilities to prepare meals.

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What Coverages are available under a Unit Owner's Policy?

- Liability coverage for injury to others or damage to the property of others you cause, as well as for the cost of a lawyer to defend you, up to the policy limits. Policies typically exclude liability coverage for injury or damage resulting from intentional acts or as a result of your employment.

- Medical payment coverage, which pays if someone is injured in your condo regardless of fault.

- Loss assessment coverage.

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Loss Assessment Coverage

- Loss assessment coverage under the unit owner's policy provides payment up to the limit purchased when the condominium association makes a special assessment against all unit owner's for a property or liability loss arising from a covered peril.
  - A special assessment that does not arise from a covered peril (for example, a special assessment for maintenance) will not be covered.
  - Your loss assessment coverage may have a deductible.
  - Your policy may exclude certain types of claims so be sure to read the terms of your policy.

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If I have a loss, how will my claim be paid?

- If you suffer a loss from a covered peril, your claim may be covered under both your unit owner's policy and the master policy.
- If there is damage to the structure of your unit, such as the walls, ceilings, floor or any element installed when the unit was built, the master policy will pay to make those repairs.
- If there is damage to your contents or your improvements to the unit, that portion will be paid by your unit owner's policy.

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If I have a loss, how will my claim be paid?

- If there is damage to an element which has been upgraded, such as flooring, the cost may be divided between both policies.
    - For example, the unit was originally built with low grade carpeting. You upgraded to hardwood floors. The master policy will pay for the cost to replace the flooring with similar grade carpeting, and the unit owner’s policy will pay the difference for the hardwood floors.
- It is important to remember though that a covered claim will only be covered up to the amount of the policy limits.

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Filing a Claim Against the Master Policy

- If a unit owner suffers damage to their unit from a covered peril, the unit owner may file a claim under the master policy.

- The Maryland Condominium Act provides that each unit owner is an insured under the master policy and may make a claim for a covered loss under that policy.

- Although the condominium management company may act as a conduit for any claims being made under the master policy, it cannot refuse to present a claim to the master policy insurer for a unit owner.

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Master Policy Deductible Expense

- If there is a covered loss that originates in your unit, your association may hold you responsible for up to $10,000 of the master policy deductible amount.

- Check with your unit owner’s policy producer to confirm whether your policy provides coverage for this expense.

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Summary

As a condo owner, two separate policies are available to cover a loss.

The master policy is the condo association's policy, and provides coverage for the common elements and the building, including the interior structure of your unit and all elements as conveyed when the unit was initially built.

The unit owner's policy provides coverage for your contents, additions and alterations, ALE, medical payments to others and provide liability coverage.

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Summary

As a unit owner, you are an insured under the master policy and you may file a claim under that policy. The management company may not prohibit you from doing so.

You may be assessed up to $10,000 if the loss originates in your unit.

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INSURANCE ADMINISTRATION

Contacts

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Maryland
INSURANCE ADMINISTRATION

Contacts

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INSURANCE ADMINISTRATION

Contacts

Maryland Condominium Act

Annotated Code of Maryland

Real Property Article Title 11

The Maryland State Law Library webpage provides links to free, online sources of the Maryland Code.

https://www.lawlib.state.md.us/researchtools/sourcesmdlaw.html

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Questions?

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