1

A bill to be entitled

2 An act relating to condominiums; creating s. 627.714, 3 F.S.; requiring coverage under a condominium unit owner's 4 policy to include a specified amount of loss-assessment 5 coverage; amending s. 718.111, F.S.; requiring coverage 6 for certain personal property to be the responsibility of 7 the condominium unit owner under certain circumstances; 8 revising board meeting notice requirements; requiring 9 insurance policies issued or renewed on or after a 10 specified date to conform to specified loss-assessment coverage requirements; revising and deleting provisions 11 relating to hazard or casualty insurance coverage 12 13 requirements, to conform; deleting a provision requiring 14 the condominium association to be an additional named 15 insured and loss payee on all casualty insurance policies 16 issued to unit owners in the condominium operated by the association; amending s. 718.112, F.S.; revising 17 requirements for the reappointment of certain board 18 19 members; revising board eligibility requirements; revising notice requirements for board candidates; extending a 20 21 period in which condominium common areas do not have to be 22 retrofitted with sprinkler systems; providing that certain 23 directors and officers delinquent in the payment of any 24 fee, fine, or regular or special assessments shall be 25 deemed to have abandoned their office; providing an 26 effective date. 27

28 Be It Enacted by the Legislature of the State of Florida: Page 1 of 19

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29	
30	Section 1. Section 627.714, Florida Statutes, is created
31	to read:
32	627.714 Condominium unit owner's coverage; loss-assessment
33	coverage requiredFor policies issued or renewed on or after
34	October 1, 2009, coverage under a condominium unit owner's
35	policy shall include loss-assessment coverage of at least
36	\$2,000. The loss-assessment coverage shall cover the unit
37	owner's share of the master policy deductible and the unit
38	owner's share of an assessment against all condominium unit
39	owners by the association, up to the limit of liability in
40	effect at the time of the loss that results in the assessment.
41	At a minimum, the loss-assessment coverage must cover
42	assessments for a loss to property for a peril insured by the
43	association.
44	Section 2. Paragraphs (a), (b), (c), (d), (f), (g), (j),
45	and (n) of subsection (11) of section 718.111, Florida Statutes,
46	are amended to read:
47	718.111 The association
48	(11) INSURANCEIn order to protect the safety, health,
49	and welfare of the people of the State of Florida and to ensure
50	consistency in the provision of insurance coverage to
51	condominiums and their unit owners, this subsection applies to
52	every residential condominium in the state, regardless of the
53	date of its declaration of condominium. It is the intent of the
54	Legislature to encourage lower or stable insurance premiums for
55	associations described in this subsection.

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56 Adequate property hazard insurance, regardless of any (a) 57 requirement in the declaration of condominium for coverage by 58 the association for full insurable value, replacement cost, or 59 similar coverage, shall be based upon the replacement cost of 60 the property to be insured as determined by an independent insurance appraisal or update of a prior appraisal. The 61 62 replacement cost full insurable value shall be determined at 63 least once every 36 months.

An association or group of associations may provide
 adequate property hazard insurance through a self-insurance fund
 that complies with the requirements of ss. 624.460-624.488.

The association may also provide adequate property 67 2. 68 hazard insurance coverage for a group of no fewer than three 69 communities created and operating under this chapter, chapter 719, chapter 720, or chapter 721 by obtaining and maintaining 70 71 for such communities insurance coverage sufficient to cover an 72 amount equal to the probable maximum loss for the communities 73 for a 250-year windstorm event. Such probable maximum loss must 74 be determined through the use of a competent model that has been 75 accepted by the Florida Commission on Hurricane Loss Projection 76 Methodology. No policy or program providing such coverage shall 77 be issued or renewed after July 1, 2008, unless it has been 78 reviewed and approved by the Office of Insurance Regulation. The 79 review and approval shall include approval of the policy and related forms pursuant to ss. 627.410 and 627.411, approval of 80 the rates pursuant to s. 627.062, a determination that the loss 81 82 model approved by the commission was accurately and 83 appropriately applied to the insured structures to determine the

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84 250-year probable maximum loss, and a determination that 85 complete and accurate disclosure of all material provisions is 86 provided to condominium unit owners prior to execution of the 87 agreement by a condominium association.

3. When determining the adequate amount of property hazard
insurance coverage, the association may consider deductibles as
determined by this subsection.

91 If an association is a developer-controlled (b) 92 association, the association shall exercise its best efforts to 93 obtain and maintain insurance as described in paragraph (a). 94 Failure to obtain and maintain adequate property hazard insurance during any period of developer control constitutes a 95 96 breach of fiduciary responsibility by the developer-appointed 97 members of the board of directors of the association, unless the 98 members can show that despite such failure, they have made their 99 best efforts to maintain the required coverage.

100 (c) Policies may include deductibles as determined by the101 board.

The deductibles shall be consistent with industry
 standards and prevailing practice for communities of similar
 size and age, and having similar construction and facilities in
 the locale where the condominium property is situated.

106 2. The deductibles may be based upon available funds,
107 including reserve accounts, or predetermined assessment
108 authority at the time the insurance is obtained.

3. The board <u>may shall</u> establish the amount of deductibles
based upon the level of available funds and predetermined
assessment authority at a meeting of the board. Such meeting

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112 shall be open to all unit owners in the manner set forth in s.
113 718.112(2)(e). The notice of such meeting must state the
114 proposed deductible and the available funds and the assessment
115 authority relied upon by the board and estimate any potential
116 assessment amount against each unit, if any. The meeting
117 described in this paragraph may be held in conjunction with a
118 meeting to consider the proposed budget or an amendment thereto.

(d) An association controlled by unit owners operating as a residential condominium shall use its best efforts to obtain and maintain adequate <u>property</u> insurance to protect the association, the association property, the common elements, and the condominium property that is required to be insured by the association pursuant to this subsection.

(f) Every <u>property</u> hazard insurance policy issued or renewed on or after January 1, 2009, for the purpose of protecting the condominium shall:

128

1. Provide primary coverage for:

<u>a.1.</u> All portions of the condominium property as
 originally installed or replacement of like kind and quality, in
 accordance with the original plans and specifications.

132 <u>b.2.</u> All alterations or additions made to the condominium 133 property or association property <u>by the association</u> pursuant to 134 s. 718.113(2).

135 <u>2.3.</u> The coverage shall Exclude all personal property 136 within the unit or limited common elements, and floor, wall, and 137 ceiling coverings, electrical fixtures, appliances, water 138 heaters, water filters, built-in cabinets and countertops, and 139 window treatments, including curtains, drapes, blinds, hardware,

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140 and similar window treatment components, or replacements of any 141 of the foregoing. <u>Such property and any insurance therefor shall</u> 142 <u>be the responsibility of the unit owner, if required by this</u> 143 subsection.

144 A condominium unit owner's policy issued after October (q) 145 1, 2009, shall conform to the requirements of s. 627.714. Every 146 hazard insurance policy issued or renewed on or after January 1, 2009, to an individual unit owner must contain a provision 147 148 stating that the coverage afforded by such policy is excess 149 coverage over the amount recoverable under any other policy 150 covering the same property. Such policies must include special 151 assessment coverage of no less than \$2,000 per occurrence. An 152 insurance policy issued to an individual unit owner providing 153 such coverage does not provide rights of subrogation against the 154 condominium association operating the condominium in which such individual's unit is located. 155

156 1. All improvements or additions to the condominium 157 property that benefit fewer than all unit owners shall be 158 insured by the unit owner or owners having the use thereof, or 159 may be insured by the association at the cost and expense of the 160 unit owners having the use thereof.

161 <u>1.2.</u> If the declaration of condominium, articles of 162 <u>incorporation, or bylaws provide</u>, the association <u>may</u> shall 163 require each owner to provide evidence of a currently effective 164 policy of <u>property</u> hazard and liability insurance upon request, 165 but not more than once per year. Upon the failure of an owner to 166 provide a certificate of insurance issued by an insurer approved 167 to write such insurance in this state within 30 days after the

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date on which a written request is delivered, the association may purchase a policy of insurance on behalf of an owner. The cost of such a policy, together with reconstruction costs undertaken by the association but which are the responsibility of the unit owner, may be collected in the manner provided for the collection of assessments in s. 718.116.

174 2.3. All reconstruction work after a property casualty 175 loss shall be undertaken by the association except as otherwise authorized in this section. A unit owner may undertake 176 177 reconstruction work on portions of the unit with the prior 178 written consent of the board of administration. However, such 179 work may be conditioned upon the approval of the repair methods, 180 the qualifications of the proposed contractor, or the contract 181 that is used for that purpose. A unit owner shall obtain all 182 required governmental permits and approvals prior to commencing 183 reconstruction.

184 3.4. Unit owners are responsible for the cost of 185 reconstruction of any portions of the condominium property for 186 which the unit owner is required to carry property casualty 187 insurance, and any such reconstruction work undertaken by the 188 association shall be chargeable to the unit owner and 189 enforceable as an assessment pursuant to s. 718.116. The 190 association must be an additional named insured and loss payee 191 on all casualty insurance policies issued to unit owners in the condominium operated by the association. 192

193 <u>4.5.</u> A multicondominium association may elect, by a 194 majority vote of the collective members of the condominiums 195 operated by the association, to operate such condominiums as a Page 7 of 19

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196 single condominium for purposes of insurance matters, including, 197 but not limited to, the purchase of the property hazard insurance required by this section and the apportionment of 198 199 deductibles and damages in excess of coverage. The election to 200 aggregate the treatment of insurance premiums, deductibles, and 201 excess damages constitutes an amendment to the declaration of 202 all condominiums operated by the association, and the costs of 203 insurance shall be stated in the association budget. The 204 amendments shall be recorded as required by s. 718.110.

205 Any portion of the condominium property required to be (j) 206 insured by the association against property casualty loss 207 pursuant to paragraph (f) which is damaged by casualty shall be 208 reconstructed, repaired, or replaced as necessary by the 209 association as a common expense. All property hazard insurance deductibles, uninsured losses, and other damages in excess of 210 211 property hazard insurance coverage under the property hazard 212 insurance policies maintained by the association are a common 213 expense of the condominium, except that:

214 1. A unit owner is responsible for the costs of repair or 215 replacement of any portion of the condominium property not paid 216 by insurance proceeds, if such damage is caused by intentional 217 conduct, negligence, or failure to comply with the terms of the 218 declaration or the rules of the association by a unit owner, the 219 members of his or her family, unit occupants, tenants, quests, or invitees, without compromise of the subrogation rights of any 220 221 insurer as set forth in paragraph (g).

222 2. The provisions of subparagraph 1. regarding the 223 financial responsibility of a unit owner for the costs of

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repairing or replacing other portions of the condominium property also apply to the costs of repair or replacement of personal property of other unit owners or the association, as well as other property, whether real or personal, which the unit owners are required to insure under paragraph (g).

3. To the extent the cost of repair or reconstruction for which the unit owner is responsible under this paragraph is reimbursed to the association by insurance proceeds, and, to the extent the association has collected the cost of such repair or reconstruction from the unit owner, the association shall reimburse the unit owner without the waiver of any rights of subrogation.

236 The association is not obligated to pay for repair or 4. 237 reconstruction or repairs of property casualty losses as a 238 common expense if the property casualty losses were known or should have been known to a unit owner and were not reported to 239 240 the association until after the insurance claim of the 241 association for that property casualty was settled or resolved 242 with finality, or denied on the basis that it was untimely 243 filed.

244 The association is not obligated to pay for any (n) 245 reconstruction or repair expenses due to property casualty loss 246 to any improvements installed by a current or former owner of 247 the unit or by the developer if the improvement benefits only the unit for which it was installed and is not part of the 248 standard improvements installed by the developer on all units as 249 part of original construction, whether or not such improvement 250 251 is located within the unit. This paragraph does not relieve any

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252 party of its obligations regarding recovery due under any253 insurance implemented specifically for any such improvements.

254 Section 3. Paragraphs (d), (l), and (n) of subsection (2) 255 of section 718.112, Florida Statutes, are amended to read: 256 718.112 Bylaws.--

(2) REQUIRED PROVISIONS.--The bylaws shall provide for the
 following and, if they do not do so, shall be deemed to include
 the following:

260

(d) Unit owner meetings.--

There shall be an annual meeting of the unit owners 261 1. 262 held at the location provided in the association bylaws and, if 263 the bylaws are silent as to the location, the meeting shall be 264 held within 45 miles of the condominium property. However, such 265 distance requirement does not apply to an association governing a timeshare condominium. Unless the bylaws provide otherwise, a 266 267 vacancy on the board caused by the expiration of a director's 268 term shall be filled by electing a new board member, and the 269 election shall be by secret ballot; however, if the number of 270 vacancies equals or exceeds the number of candidates, no 271 election is required. The terms of all members of the board 272 shall expire at the annual meeting and such board members may 273 stand for reelection unless otherwise permitted by the bylaws. 274 In the event that the bylaws permit staggered terms of no more 275 than 2 years and upon approval of a majority of the total voting interests, the association board members may serve 2-year 276 277 staggered terms. If the number no person is interested in or demonstrates an intention to run for the position of a board 278 279 members member whose terms have term has expired according to Page 10 of 19

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280 the provisions of this subparagraph exceeds the number of 281 eligible members showing interest in or demonstrating an 282 intention to run for the vacant positions, each such board 283 member whose term has expired shall become eligible for 284 reappointment be automatically reappointed to the board of 285 administration and need not stand for reelection. In a 286 condominium association of more than 10 units, coowners or co-287 occupants of a unit may not serve as members of the board of 288 directors at the same time unless they own more than one unit. 289 Any unit owner desiring to be a candidate for board membership 290 shall comply with subparagraph 3. A person who has been 291 suspended or removed by the division under this chapter, or who 292 is delinquent in the payment of any fee, fine, or special or 293 regular assessment as provided in paragraph (n), is not eligible 294 for board membership. A person who has been convicted of any 295 felony in this state or in a United States District or 296 Territorial Court, or who has been convicted of any offense in 297 another jurisdiction that would be considered a felony if 298 committed in this state, is not eligible for board membership 299 unless such felon's civil rights have been restored for a period 300 of no less than 5 years as of the date on which such person 301 seeks election to the board. The validity of an action by the 302 board is not affected if it is later determined that a member of the board is ineligible for board membership due to having been 303 convicted of a felony. 304

305 2. The bylaws shall provide the method of calling meetings 306 of unit owners, including annual meetings. Written notice, which 307 notice must include an agenda, shall be mailed, hand delivered,

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308 or electronically transmitted to each unit owner at least 14 309 days prior to the annual meeting and shall be posted in a 310 conspicuous place on the condominium property at least 14 311 continuous days preceding the annual meeting. Upon notice to the 312 unit owners, the board shall by duly adopted rule designate a 313 specific location on the condominium property or association 314 property upon which all notices of unit owner meetings shall be 315 posted; however, if there is no condominium property or 316 association property upon which notices can be posted, this 317 requirement does not apply. In lieu of or in addition to the 318 physical posting of notice of any meeting of the unit owners on 319 the condominium property, the association may, by reasonable rule, adopt a procedure for conspicuously posting and repeatedly 320 321 broadcasting the notice and the agenda on a closed-circuit cable 322 television system serving the condominium association. However, 323 if broadcast notice is used in lieu of a notice posted 324 physically on the condominium property, the notice and agenda 325 must be broadcast at least four times every broadcast hour of 326 each day that a posted notice is otherwise required under this 327 section. When broadcast notice is provided, the notice and 328 agenda must be broadcast in a manner and for a sufficient 329 continuous length of time so as to allow an average reader to 330 observe the notice and read and comprehend the entire content of 331 the notice and the agenda. Unless a unit owner waives in writing the right to receive notice of the annual meeting, such notice 332 shall be hand delivered, mailed, or electronically transmitted 333 334 to each unit owner. Notice for meetings and notice for all other 335 purposes shall be mailed to each unit owner at the address last

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336 furnished to the association by the unit owner, or hand 337 delivered to each unit owner. However, if a unit is owned by 338 more than one person, the association shall provide notice, for 339 meetings and all other purposes, to that one address which the 340 developer initially identifies for that purpose and thereafter 341 as one or more of the owners of the unit shall so advise the 342 association in writing, or if no address is given or the owners 343 of the unit do not agree, to the address provided on the deed of 344 record. An officer of the association, or the manager or other 345 person providing notice of the association meeting, shall 346 provide an affidavit or United States Postal Service certificate 347 of mailing, to be included in the official records of the 348 association affirming that the notice was mailed or hand 349 delivered, in accordance with this provision.

350 3. The members of the board shall be elected by written 351 ballot or voting machine. Proxies shall in no event be used in 352 electing the board, either in general elections or elections to 353 fill vacancies caused by recall, resignation, or otherwise, 354 unless otherwise provided in this chapter. Not less than 60 days 355 before a scheduled election, the association shall mail, 356 deliver, or electronically transmit, whether by separate 357 association mailing or included in another association mailing, delivery, or transmission, including regularly published 358 359 newsletters, to each unit owner entitled to a vote, a first notice of the date of the election along with a certification 360 form provided by the division attesting that he or she has read 361 362 and understands, to the best of his or her ability, the 363 governing documents of the association and the provisions of Page 13 of 19

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364 this chapter and any applicable rules. Any unit owner or other 365 eligible person desiring to be a candidate for the board must 366 give written notice of intent to be a candidate to the 367 association not less than 40 days before a scheduled election. 368 Together with the written notice and agenda as set forth in 369 subparagraph 2., the association shall mail, deliver, or 370 electronically transmit a second notice of the election to all 371 unit owners entitled to vote therein, together with a ballot 372 which shall list all candidates. Upon request of a candidate, 373 the association shall include an information sheet, no larger 374 than 8 $1/2 \frac{81/2}{2}$ inches by 11 inches, which must be furnished by 375 the candidate not less than 35 days before the election, shall 376 along with the signed certification form provided for in this 377 subparagraph, to be included with the mailing, delivery, or transmission of the ballot, with the costs of mailing, delivery, 378 379 or electronic transmission and copying to be borne by the 380 association. The association is not liable for the contents of 381 the information sheets prepared by the candidates. In order to 382 reduce costs, the association may print or duplicate the 383 information sheets on both sides of the paper. The division 384 shall by rule establish voting procedures consistent with the 385 provisions contained herein, including rules establishing 386 procedures for giving notice by electronic transmission and rules providing for the secrecy of ballots. Elections shall be 387 decided by a plurality of those ballots cast. There shall be no 388 quorum requirement; however, at least 20 percent of the eligible 389 voters must cast a ballot in order to have a valid election of 390 391 members of the board. No unit owner shall permit any other

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392 person to vote his or her ballot, and any such ballots 393 improperly cast shall be deemed invalid, provided any unit owner 394 who violates this provision may be fined by the association in 395 accordance with s. 718.303. A unit owner who needs assistance in 396 casting the ballot for the reasons stated in s. 101.051 may 397 obtain assistance in casting the ballot. The regular election 398 shall occur on the date of the annual meeting. The provisions of 399 this subparagraph shall not apply to timeshare condominium 400 associations. Notwithstanding the provisions of this 401 subparagraph, an election is not required unless more candidates 402 file notices of intent to run or are nominated than board 403 vacancies exist.

Any approval by unit owners called for by this chapter 404 4. 405 or the applicable declaration or bylaws, including, but not 406 limited to, the approval requirement in s. 718.111(8), shall be 407 made at a duly noticed meeting of unit owners and shall be 408 subject to all requirements of this chapter or the applicable 409 condominium documents relating to unit owner decisionmaking, 410 except that unit owners may take action by written agreement, 411 without meetings, on matters for which action by written 412 agreement without meetings is expressly allowed by the 413 applicable bylaws or declaration or any statute that provides 414 for such action.

5. Unit owners may waive notice of specific meetings if allowed by the applicable bylaws or declaration or any statute. If authorized by the bylaws, notice of meetings of the board of administration, unit owner meetings, except unit owner meetings called to recall board members under paragraph (j), and

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420 committee meetings may be given by electronic transmission to 421 unit owners who consent to receive notice by electronic 422 transmission.

423 6. Unit owners shall have the right to participate in
424 meetings of unit owners with reference to all designated agenda
425 items. However, the association may adopt reasonable rules
426 governing the frequency, duration, and manner of unit owner
427 participation.

Any unit owner may tape record or videotape a meeting
of the unit owners subject to reasonable rules adopted by the
division.

431 8. Unless otherwise provided in the bylaws, any vacancy 432 occurring on the board before the expiration of a term may be 433 filled by the affirmative vote of the majority of the remaining 434 directors, even if the remaining directors constitute less than 435 a quorum, or by the sole remaining director. In the alternative, 436 a board may hold an election to fill the vacancy, in which case 437 the election procedures must conform to the requirements of 438 subparagraph 3. unless the association governs 10 units or less 439 and has opted out of the statutory election process, in which 440 case the bylaws of the association control. Unless otherwise 441 provided in the bylaws, a board member appointed or elected 442 under this section shall fill the vacancy for the unexpired term 443 of the seat being filled. Filling vacancies created by recall is governed by paragraph (j) and rules adopted by the division. 444 445

446 Notwithstanding subparagraphs (b)2. and (d)3., an association of 447 10 or fewer units may, by the affirmative vote of a majority of

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the total voting interests, provide for different voting and election procedures in its bylaws, which vote may be by a proxy specifically delineating the different voting and election procedures. The different voting and election procedures may provide for elections to be conducted by limited or general proxy.

454 (1) Certificate of compliance. -- There shall be a provision 455 that a certificate of compliance from a licensed electrical 456 contractor or electrician may be accepted by the association's board as evidence of compliance of the condominium units with 457 458 the applicable fire and life safety code. Notwithstanding the 459 provisions of chapter 633 or of any other code, statute, 460 ordinance, administrative rule, or regulation, or any interpretation of the foregoing, an association, condominium, or 461 462 unit owner is not obligated to retrofit the common elements or 463 units of a residential condominium with a fire sprinkler system 464 or other engineered lifesafety system in a building that has 465 been certified for occupancy by the applicable governmental 466 entity, if the unit owners have voted to forego such 467 retrofitting and engineered lifesafety system by the affirmative 468 vote of two-thirds of all voting interests in the affected 469 condominium. However, a condominium association may not vote to 470 forego the retrofitting with a fire sprinkler system of common 471 areas in a high-rise building. For purposes of this subsection, the term "high-rise building" means a building that is greater 472 than 75 feet in height where the building height is measured 473 from the lowest level of fire department access to the floor of 474 the highest occupiable story. For purposes of this subsection, 475

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476 the term "common areas" means any enclosed hallway, corridor, 477 lobby, stairwell, or entryway. In no event shall the local 478 authority having jurisdiction require completion of retrofitting 479 of common areas with a sprinkler system before the end of <u>2025</u> 480 2014.

481 1. A vote to forego retrofitting may be obtained by 482 limited proxy or by a ballot personally cast at a duly called membership meeting, or by execution of a written consent by the 483 484 member, and shall be effective upon the recording of a 485 certificate attesting to such vote in the public records of the 486 county where the condominium is located. The association shall 487 mail, hand deliver, or electronically transmit to each unit 488 owner written notice at least 14 days prior to such membership 489 meeting in which the vote to forego retrofitting of the required 490 fire sprinkler system is to take place. Within 30 days after the 491 association's opt-out vote, notice of the results of the opt-out 492 vote shall be mailed, hand delivered, or electronically 493 transmitted to all unit owners. Evidence of compliance with this 494 30-day notice shall be made by an affidavit executed by the 495 person providing the notice and filed among the official records 496 of the association. After such notice is provided to each owner, 497 a copy of such notice shall be provided by the current owner to 498 a new owner prior to closing and shall be provided by a unit owner to a renter prior to signing a lease. 499

2. As part of the information collected annually from
condominiums, the division shall require condominium
associations to report the membership vote and recording of a
certificate under this subsection and, if retrofitting has been

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504 undertaken, the per-unit cost of such work. The division shall 505 annually report to the Division of State Fire Marshal of the 506 Department of Financial Services the number of condominiums that 507 have elected to forego retrofitting.

(n) Director or officer delinquencies.--A director or
officer more than 90 days delinquent in the payment of <u>any fee</u>,
<u>fine</u>, or regular <u>or special</u> assessments shall be deemed to have
abandoned the office, creating a vacancy in the office to be
filled according to law.

513

Section 4. This act shall take effect October 1, 2009.