ASSEMBLY BILL NO. 324–ASSEMBLYMEMBER ORENTLICHER

MARCH 3, 2025

Referred to Committee on Judiciary

SUMMARY—Revises provisions governing housing. (BDR 10-1045)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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EXPLANATION – Matter in ***bolded italics*** is new; matter between brackets ~~[omitted material]~~ is material to be omitted.

AN ACT relating to housing; revising provisions related to property insurance that common-interest communities are required to maintain; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law requires a unit-owners' association of a common-interest community to maintain certain types of insurance, including property insurance. (NRS 116.3113) Under existing law, property insurance policies are required to include the units, which means the physical portion of the common-interest community that is designated for separate ownership or occupancy, when a building contains units that are divided by horizontal or vertical boundaries. (NRS 116.093, 116.3113) This bill eliminates the requirement to include the units divided by vertical boundaries in such insurance policies and authorizes an association to choose whether to include the units in such insurance policies.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 116.3113 is hereby amended to read as follows:

116.3113 1. Commencing not later than the time of the first conveyance of a unit to a person other than a declarant, the association shall maintain, to the extent reasonably available and subject to reasonable deductibles, all of the following:

(a) Property insurance on the common elements and, in a planned community, also on property that must become common elements, insuring against risks of direct physical loss commonly insured against, which insurance, after application of any deductibles, must be not less than 80 percent of the actual cash value of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations and other items normally excluded from property policies.

(b) Commercial general liability insurance, including insurance for medical payments, in an amount determined by the executive board but not less than any amount specified in the declaration, covering all occurrences commonly insured against for bodily injury and property damage arising out of or in connection with the use, ownership, or maintenance of the common elements and, in cooperatives, also of all units.

(c) Crime insurance which includes coverage for dishonest acts by members of the executive board and the officers, employees, agents, directors and volunteers of the association and which extends coverage to any business entity that acts as the community manager of the association and the employees of that entity. Such insurance may not contain a conviction requirement, and the minimum amount of the policy must be not less than an amount equal to 3 months of aggregate assessments on all units plus reserve funds or $5,000,000, whichever is less.

(d) Directors and officers insurance that is a nonprofit organization errors and omissions policy in a minimum aggregate amount of not less than $1,000,000 naming the association as the owner and the named insured. The coverage must extend to the members of the executive board and the officers, employees, agents, directors and volunteers of the association and to the community manager of the association and any employees thereof while acting as agents as insured persons under the policy terms. Coverage must be subject to the terms listed in the declaration.

2. In the case of a building that contains units divided by ~~[horizontal]~~ ***:***

(a) Horizontal boundaries described in the declaration, ~~[or vertical boundaries that comprise common walls between units,]~~ the insurance maintained under paragraph (a) of subsection 1, to the extent reasonably available, must include the units, but need not include improvements and betterments installed by units' owners.

(b) Vertical boundaries that comprise common walls between units, the insurance maintained under paragraph (a) of subsection 1 may, but need not, include the units.

3. If the insurance described in subsections 1 and 2 is not reasonably available, the association promptly shall cause notice of that fact to be given to all units' owners. The declaration may require the association to carry any other insurance, and the

association may carry any other insurance it considers appropriate to protect the association or the units' owners.

4. An insurance policy issued to the association does not prevent a unit's owner from obtaining insurance for the unit's owner's own benefit.