
SENATE BILL NO. 257—COMMITTEE ON JUDICIARY

MARCH 16, 2021

Referred to Committee on Judiciary

SUMMARY—Revises provisions relating to insurance coverage for certain common-interest communities. (BDR 10-1019)

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 common-interest communities; revising provisions relating to insurance coverage for certain common-interest communities; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

1 Existing law generally requires a unit-owners’ association in a common-interest
2 community to maintain, among other types of insurance, property insurance on the
3 common elements of the community. In the case of a building which contains
4 multiple units divided by horizontal boundaries or vertical boundaries that comprise
5 common walls between units, existing law also requires the association to maintain
6 insurance on the individual units, though it need not include improvements or
7 betterments installed by units’ owners. (NRS 116.3113) This bill: (1) exempts
8 townhomes and duplexes in common-interest communities from the requirement to
9 maintain insurance on individual units; and (2) requires an association that seeks to
10 reduce or eliminate existing insurance coverage for townhomes or duplexes
11 to provide certain notice to units’ owners of the proposed reduction or elimination
12 of such insurance coverage.

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

1 **Section 1.** NRS 116.3113 is hereby amended to read as
2 follows:
3 116.3113 1. Commencing not later than the time of the first
4 conveyance of a unit to a person other than a declarant, the



1 association shall maintain, to the extent reasonably available and
2 subject to reasonable deductibles, all of the following:

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

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

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

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

36 2. ~~[Hh]~~ *Except as otherwise provided in this subsection, in*
37 *the case of a building that contains units divided by horizontal*
38 *boundaries described in the declaration, or vertical boundaries that*
39 *comprise common walls between units, the insurance maintained*
40 *under paragraph (a) of subsection 1, to the extent reasonably*
41 *available, must include the units, but need not include improvements*
42 *and betterments installed by units' owners. **The insurance***
43 ***maintained under paragraph (a) of subsection 1 is not required to***
44 ***include the units in a common-interest community that are***
45 ***townhomes or duplexes. If an association seeks to reduce or***



1 *eliminate existing insurance for townhomes or duplexes pursuant*
2 *to this subsection, the association must provide notice to units'*
3 *owners of such proposed action:*

4 *(a) At least 30 days before voting on the proposal to reduce or*
5 *eliminate such insurance coverage; and*

6 *(b) At least 60 days before any reduction or elimination of*
7 *such insurance coverage becomes effective.*

8 3. If the insurance described in subsections 1 and 2 is not
9 reasonably available, the association promptly shall cause notice of
10 that fact to be given to all units' owners. The declaration may
11 require the association to carry any other insurance, and the
12 association may carry any other insurance it considers appropriate to
13 protect the association or the units' owners.

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

17 **Sec. 2.** This act becomes effective on July 1, 2021.



