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March 10, 2025

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Delegate Marc Korman, Chair  
Delegate Regina T. Boyce, Vice Chair  
250 and 251 Taylor House Office Building  
Annapolis, MD 21401

**Re: House Bill 1541**  
**Condominiums – Mandatory Insurance Coverage**  
**Hearing Date: March 12, 2025 – 1:00 p.m.**  
**Position: Support with Amendments**

Dear Chair Korman, Vice-Chair Boyce, and Members of the Environment and Transportation Committee:

This letter is submitted on behalf of the Maryland Legislative Action Committee (“MD-LAC”) of the Community Associations Institute (“CAI”). CAI represents individuals and professionals who reside in or work with community associations (condominiums, homeowners’ associations, and cooperatives) throughout the State of Maryland.

As you may know, two other bills were introduced this session (HB449 cross-filed with SB446), which increase a condominium unit owner’s responsibility for payment of a condominium association’s Master Policy’s property damage deductible from \$10,000 to \$25,000 when a loss originates in the owner’s unit.

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House Bill 1541, which would mandate that Maryland's condominium unit owners carry their own insurance (better known as an HO-6 or condominium unit owners' policy) to provide the unit owner with protection from losses and from liability for the master policy deductible, neither of which are covered by the condominium's master insurance policies. The instant bill, HB 1541, was intended to be dropped as a companion bill to HB449/SB446, as the unit owner's coverage mandated by this bill is intended to be the funding mechanism for payment of that deductible responsibility – payment need not be an out-of-pocket expense for any owner. Until now, any requirement that a unit owner carry the insurance that HB 1541 would mandate would have to be imposed in a condominium association's governing documents, and then usually only after those documents are amended accordingly.

Whereas HB449 and SB446 were introduced to raise the deductible responsibility in response to changes within the insurance industry (the \$10,000 property damage deductible master policy carriers once used regularly has given way to the more frequent application of deductibles of \$25,000 or higher), HB1541 seeks to protect a unit owner from having to pay that deductible out of pocket.

This law, in our opinion, has been needed for some time. In 2011, the legislature passed HB679, which allowed condominium associations to adopt a bylaw amendment mandating unit owners to obtain HO-6 (or comparable) coverage, and to adopt such amendments with a reduced majority (51%) vote, whereas a bylaw amendment would otherwise have required the affirmative vote of two-thirds of the unit owners. The law enacted by the passage of HB679 was a nice idea, in theory, but in practice, the time, effort, and legal expense required to amend an association's governing documents have proven to be too great, and many Maryland condominium associations have not been able to take advantage of the law for that reason, leaving their owners vulnerable to liability for payment of the master policy's property damage deductible.

Fast forward to 2025. As an insurance broker who has specialized in the community association insurance field for more than 30 years, I have seen soft markets and hard markets, but the hard market we are in right now is unprecedented. Catastrophic loss (wildfires, tornados, and hurricanes) has reshaped the insurance industry in only a few short years. The 2024 hurricane season left behind \$182.7 billion in losses (the second costliest hurricane season on record) and January's California wildfires is estimated at a \$30 billion dollar event. By comparison, each year, insurance carriers, on average, pay \$101 billion in losses. To protect themselves, many insurance carriers have withdrawn from the market or become incredibly selective. The number of insurance carriers still willing to write condominium insurance policies at all is beginning to dwindle. The result is not only higher premiums, but also higher deductibles. If we think of insurance as the transfer of risk in exchange for a premium, then higher deductibles are the carriers' way of transferring back some of that risk, not only to remain able to offer coverage at all, but also to promote maintenance of the buildings – and the units – by their insureds.

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Along with 20% or greater premium increases, many associations are also seeing the application of higher deductibles because of building age, number of stories, and/or loss frequency and severity. In short, the \$10,000 unit owner responsibility cap is no longer keeping pace with industry trends. In addition, when a loss originates in a unit, and a condominium association's property policy is subject to a deductible of \$25,000 or higher, the unit owner in whose unit the damage originates cannot be held responsible for more than \$10,000 of whatever the deductible might be under current law. In those cases, the balance of the higher deductible is absorbed as a common expense which is then shouldered by *all of the owners*. These shared deductibles do become out of pocket expenses for members, usually through increased condominium fees or worse, special assessments. This was never the intent of the law.

Along with the rate of inflation, escalating costs of regular repair/replacement, and the other expenses a condominium shoulders annually, funding these deductibles has become burdensome, not only for the associations' budgets, but for the other owners who collectively must subsidize the balance of the higher deductibles for losses originating in individual units.

Maryland LAC understands that losses happen, and that the spirit of a condominium's Master Policy is to insure the buildings and units are restored following losses to the condition in which the developer originally conveyed them, but we also understand that if Maryland's condominium unit owners are statutorily required to carry unit owner/HO-6 coverage, those policies will be available to absorb the increased deductible responsibility prescribed in HB449/SB446. They will also provide other much-needed coverages to the unit owner at time of loss, which the condominium association's Master Policy is not obligated to include or provide. For example, a properly written condominium unit owners'/HO-6 policy can provide:

- 1) **Dwelling Coverage** to protect an owner's improvements, betterments, alterations, and additions (made or acquired from any previous owner), since the Association's Master Policy is obligated by statute to insure the unit only as the developer originally deeded it (original grade floor, ceiling, and wall coverings, cabinets, countertops, appliances, fixtures, and equipment—i.e., no "improvements or betterments") to the first purchaser of said unit.
- 2) **Personal Property/Contents Coverage** to protect a unit owner's furnishings, movable rugs, clothing, electronics, valuables, and other personal effects. This coverage form can also cover any content manipulation or storage during repairs following a loss.
- 3) **Personal Liability Coverage** to protect the owner when someone other than the unit owner (or members of the owner's immediate household) is injured inside the unit (the Association's liability coverage does not reach inside the unit). This coverage can also pay an owner's liability for damage to another owner's improvements and betterments, contents/personal property, or loss of use when the loss-originating owner causes damage to a neighboring unit. Personal Liability can also provide defense and indemnity coverage for other potential liability situations such as dog bites.

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- 4) **Loss of Use/Additional Living Expense Coverage** pays for an owner to live elsewhere during the period of restoration when the unit is damaged from a casualty loss and is not habitable. This is critical coverage since owners forced from their units following a casualty loss must still pay their mortgages and condominium fees.
- 5) **Loss Assessment Coverage** pays for an owner's proportionate share of a loss that is not fully covered by the association's policies (e.g., the unit owner's share of the master policy deductible, as permitted by law).

Within the HO-6 policy, the unit owner can cover their responsibility for payment of the Master Policy's deductible (up to \$25,000 if the pending HB449/SB446 are enacted as proposed), either under the Dwelling Coverage limit, or under the loss Assessment limit, thus avoiding an out-of-pocket expense.

Given the importance of carrying an HO-6/condominium unit owners' policy, MD-LAC supports HB1541, *but with the following two amendments*:

1) We wish to qualify that Loss of Use Coverage is available when a unit owner cannot live in the unit *following a covered casualty loss* – it is important to not inadvertently create any misunderstanding by unit owners that Loss of Use coverage might be available for anything other than its intended purpose. For example, the following could be added to HB 1541:

(IV) LOSS OF USE COVERAGE IN AN AMOUNT SUFFICIENT TO PROVIDE ALTERNATE HOUSING FOR AT LEAST 12 MONTHS IF THE UNIT OWNER CANNOT LIVE IN THE UNIT [FOLLOWING A COVERED CAUSE OF LOSS]

2) Because the bill, as written, would allow condominium associations to collect evidence of HO-6 insurance from its individual unit owners, we believe it would be reasonable for those unit owners to be permitted time to respond to such requests for proof of coverage. Therefore, we respectfully ask that HB 1541 be amended to include a 30-day window within which unit owners may comply with their condominium association's request for evidence of HO-6 insurance coverage without incurring any penalty. For example, the following could be added to HB 1541 to accomplish that purpose:

(D) EACH UNIT OWNER SHALL PROVIDE [WITHIN 30 DAYS FROM RECEIPT OF SUCH REQUEST] EVIDENCE OF THE INSURANCE POLICY REQUIRED UNDER SUBSECTION (B) OF THIS SECTION TO THE COUNCIL OF UNIT OWNERS:

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For the foregoing reasons, MD-LAC requests a **favorable** report by this Committee with the amendments offered. Thank you for your time and attention to this important legislation.

We are available to answer any questions the Committee Members may have. Please feel free to contact Lisa Harris Jones, lobbyist for the MD-LAC, at 410-366-1500, or by e-mail at [lisa.jones@mdlobbyist.com](mailto:lisa.jones@mdlobbyist.com), or Robin Manougian, of the MD-LAC at 240-401-0855, or by e-mail at [Robin.Manougian@baldwin.com](mailto:Robin.Manougian@baldwin.com), or Scott Silverman, of the MD-LAC at 410-707-6363, or by e-mail at [scott@naglezaller.com](mailto:scott@naglezaller.com).

Sincerely,

*Robin C. Manougian*

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