

HB449 TESTIMONY.pdf

Uploaded by: Dan Morhaim

Position: FAV

TO: ENVIRONMENT AND TRANSPORTATION COMMITTEE
FROM: REGENCY PARK CONDOMINIUM

HB449 (Bill of rights for homeowners) – **SUPPORT**

Regency Park is a 60-home condominium in Baltimore County, Maryland. We appreciate the leadership from Delegate Holmes on condominium issues. Our Board has reviewed HB449, and we are pleased to support this bill. Condo communities are facing numerous challenges, and paying for insurance is one of them. As a Board, we make decisions for the community, and as owners/residents, we are subject to those as well. For this bill, we appreciate both perspectives. The changes proposed in HB449 will help Maryland condominiums keep up with escalating deductibles while sustaining association budgets. At the same time, it will motivate residents to take care of their property, keep up with maintenance, and report and fix any potential problems. Further, it will encourage owners to be sure their personal insurance policies are sufficient. For these reasons, we support HB449.

Thank you for your consideration, and we are available to work with you on this.
Regency Park Condominiums, Baltimore County, Maryland
Contact: Dan Morhaim, M.D., danmorhaim@gmail.com

testimony hb449. docx.pdf

Uploaded by: Jim Lieberman

Position: FAV

TESTIMONY OF ROGER BLACKLOW AND JIM LIEBERMAN
ON FEBRUARY 11 ,2025
BEFORE THE HOUSE ENVIRONMENT & TRANSPORTATION
IN SUPPORT OF HB449 CONDOMINIUMS – PROPERTY INSURANCE
DEDUCTIBLES – UNIT OWNER RESPONSIBILITY
FAVORABLE

Honorable Chair Marc Korman and Vice Chair Regina Boyce and Members of the House Environment & Transportation Committee:

We are residents of Leisure World in Silver Spring, Maryland, and members of the Leisure World Government Affairs Committee. As unit owners in condominiums, we support HB449 as it addresses an important insurance issue that impacts condominiums and their unit owners. For associations - which are made up of unit owners after all - this would be great as insurance deductibles continue to rise. Our deductible is currently \$50k but we expect over time for it to be substantially increased.

When damages result from individual units that impact our buildings it is not unusual for the damage amount to be above the deductible. The unit owner causing the damage is only liable for \$10k and the association has to pay the balance of the deductible amount before the master policy kicks in. As a result, the HOA fees increase for all unit owners. These costs can cripple an association.

Having higher required insurance amounts for unit owners as provided in HB449 will reduce HOA fees that have to increase to cover extensive damage situations. HB449 keeps up with changing insurance and reconstruction costs.

We fully support the Committee giving a favorable vote for this bill.

Respectfully Submitted,

Roger Blacklow
Jim Lieberman
Leisure World
Silver Spring, MD

HB449_FAV_HABITAT I

Uploaded by: Patrick Schmitt

Position: FAV

Habitat I Section A
c/o Brodie Management Inc.
110 Old Padonia Rd, Suite 202
Cockeysville, MD 21030

January 29, 2025

marc.korman@house.state.md.us
regina.boyce@house.state.md.us

Hon. Delegate Marc Korman, Chair
Hon. Delegate Regina T. Boyce, Vice Chair\
Environment and Transportation Committee
House Office Building
Annapolis, Maryland 21401

Re: HB 449
Condominiums – Property Insurance Deductibles – Unit Owner Responsibility
Position: SUPPORT
Hearing Date: February 11, 2025 at 1 PM

Dear Chairman Korman, Vice Chair Boyce, and Committee Members:

This letter is submitted on behalf of the Board of Directors of the Habitat I Section A Condominium. Habitat I Section A Condominium is a 108-unit residential condominium consisting of 27 buildings in a 4-unit piggy-back configuration constructed between 1972 and 1974, in Crofton, Maryland.

We support HB 449. Habitat I Section A has a rule making a unit owner responsible for the council of unit owners' property insurance deductible of \$10,000, if the cause of any damage to or destruction of any portion of the condominium unit originates from that owner's unit. We experience 1 to 2 instances of damage or destruction claim(s) each year because of unit owner negligence or failure to meet owner maintenance responsibilities for elements of their condominium unit. 100% of these instances of damage or destruction, which have been determined to be the responsibility of a condominium unit owner, exceed Habitat I Section A's \$10,000 property insurance deductible.

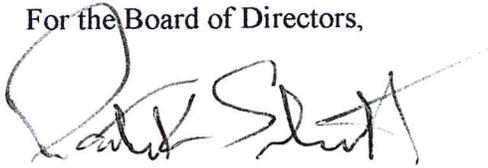
We cannot survive the economics of this situation. Habitat I Section A's property insurance premium has increased by 10 to 15% annually between 2020 and 2024. Our premium for 2025 has increased by 30%. To protect our property insurance and to control premium costs, we have self-insured several damage claims in 2023 and 2024. Bottom line, this is not sustainable for Habitat I Section A or our owners. We need urgent relief in these situations. Unit Owners must assume an increased level of financial responsibility for damage or destruction originating from their units because of unit owner negligence or failure to meet owner maintenance

January 29, 2024

responsibilities for elements of their condominium unit. A simple water leak resulting from a frozen or burst pipe inside one of our units can cost the condominium association \$20,000 to \$30,000 and impacts the other 3 units in our building's piggy-back configuration.

For the reasons stated above, I respectfully request that the Committee give HB 449 a favorable report. I am available to answer any questions the Committee Members may have. Please feel free to contact me at 443-336-6858, or by E-mail at patrick_schmitt@hotmail.com.

For the Board of Directors,

A handwritten signature in black ink, appearing to read "Patrick Schmitt", written over a faint, larger version of the same signature.

Patrick Schmitt
Board of Directors
Habitat I Section A Condominium Association

cc: Hon. Senator Dawn Gile, D-33, dawn.gile@senate.state.md.us
Hon. Delegate Marvin Holmes, Sponsor, marvin.holmes@house.state.md.us
Hon. Delegate Stuart Michael Schmidt Jr., D-33, stuart.schmidt@house.state.md.us

MD-LAC-HB449 Testimony (Deductible Responsibility)

Uploaded by: Robin Manougian

Position: FAV

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Ellen Throop, Esq., Member
Tricia A. Walsh, CISR, Member

January 27, 2025

marc.korman@house.state.md.us
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Delegate Marc Korman, Chair
Delegate Regina T. Joyce, Vice Chair
250 and 251 Taylor House Office Building
Annapolis, MD 21401

Re: House Bill 449 (cross-filed with Senate Bill 446)
Condominiums – Property Insurance Deductibles – Unit Owner Responsibility
Hearing Date: February 11, 2025 – 1:00 p.m.
Position: Support

Dear Chairman 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.

MD-LAC supports HB 449. As you may be aware, current law (effective October 01, 2020), allows for a condominium association’s Master Policy property damage deductible – up to \$10,000 – to be assigned to the owner of a condominium unit when a loss originates in that unit or from a component that services only that unit. The law is based on point of origination and not on any negligence standard. The deductible is a common expense for losses that originate from the common elements or an event outside of the condominium units and common elements.

Page 2, House Bill 449
Community Associations Institute

While only five short years have passed since Maryland LAC pursued and the legislature approved an increase of the deductible responsibility cap (from the \$5,000 passed in 2009 to \$10,000 in 2020), in that brief time, the insurance market has changed dramatically, and the \$10,000 deductible that insurance carriers commonly used five years ago is being used far less frequently. Catastrophic losses (tornados, wildfires, and hurricanes) have impacted the market significantly in recent years (the 2024 hurricane season was the second costliest on record, and the wildfires in California as of the date of this letter will likely exceed \$40 billion in insured damage). The hard insurance market that began in 2019 is considered the longest in recent history, having persisted for over six years, and with losses averaging \$130 billion annually (and the US accounting for 80 percent of the world's catastrophic losses), there are no significant signs of softening. Unlike typical hard market cycles which usually last three to four years, the current market's extended conditions are attributed not only to increased weather-related claims, but also to economic inflation and limited reinsurance capacity (the availability of insurance limits and carriers).

While Maryland's condominium associations have escaped natural/catastrophic loss events in recent years, it is important to note that insurance is a pool of risks with all insureds funding and paying into the reserves to pay claims for all insureds. And because major carriers have left even our own market due to poor results or to protect themselves from insolvency, those that remain have become more selective and are safeguarding their programs through the use of higher deductibles to address loss frequency and severity. If insurance is risk transfer, then carriers are applying higher deductibles to transfer back some of that risk to remain viable and to promote regular maintenance and risk management among insureds.

The \$10,000 deductible cap currently in place, then, is becoming scarcer as carriers are routinely applying deductibles of \$25,000 or higher, particularly in associations with four or more stories, and/or in associations whose loss ratios (claims paid to premiums earned) are outside of expected norms (typically in excess of 35% of written premium). Even without losses, many carriers have begun liberally applying higher deductibles to prevent claims, ushering in what could be an age of catastrophic-only insurance to address a troubled industry.

Because of the law's current \$10,000 cap and the application of higher deductibles as a condition of many association renewals, when a loss originates in a unit, the owner pays the first \$10,000, but *the Association* pays the balance – whatever that balance might be. Example: A unit owner leaves the water running in his bathtub on the ninth floor; the tub overflows, damaging multiple units on several lower levels. The total loss is \$100,000, subject to the Association's property damage deductible of \$25,000. Under current law, the owner would cover the first \$10,000, but the Association would pay as a common expense the balance of \$15,000. The common expense balance is significantly more when the policy's deductible is higher and many Associations in the current market, either because of lack of availability or claims history, carry deductibles of \$25,000, \$50,000, \$100,000, or more.

Page 3, House Bill 449
Community Associations Institute

To further promote regular in-unit maintenance and risk management, and to alleviate at least some of the budgetary burden (and subsidization of payment of some of the balance of higher deductibles as a common expense by the rest of the owners), MD-LAC respectfully asks the legislature to pass HB 449, which would effectively increase a condominium unit owner's deductible responsibility from the current \$10,000 to \$25,000 when a loss originates within an owner's unit or from a component that services only that unit. While the increase may initially appear to be substantial, it is important to note that master policy carriers typically are filed for property damage deductibles of \$5,000, \$10,000, \$25,000, and \$50,000, and so the increase from \$10,000 to \$25,000 tracks already filed and approved deductible schedules by carriers in the state. But moreover, any amount of less than \$25,000 would be obsolete in the very near future, if not already. The goal, then, is to assist associations whose budgets are struggling in a challenging insurance climate, and to shift more responsibility to owners when a loss originates in a unit.

Additionally, HB 449 will also have benefit of a companion bill that will be introduced during the 2025 session that requires all condominium owners to carry personal condominium unit owners' (HO-6) insurance. Such insurance can (and for owners who already carry such coverage already does) effectively fund an owner's deductible responsibility. Our testimony will reflect the numerous benefits of carrying condominium unit owners' coverage when the bill is introduced.

For these reasons, MD-LAC requests a **favorable** recommendation by this Committee. 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, or Robin Manougian, of the MD-LAC at (240) 401-0855, or by e-mail at Robin.Manougian@baldwin.com.

Sincerely,

Robin C. Manougian

Vicki Caine

Robin C. Manougian, CIRMS

Vicki Caine

Member, Insurance Sub-Committee Chair
CAI MD-LAC

Chair
CAI MD-LAC

HB 449- Condo Insurance - FWA - REALTORS.pdf

Uploaded by: Lisa May

Position: FWA



House Bill 449 – Condominiums - Property Insurance Deductibles - Unit Owner Responsibility

Position: Support with Amendment

Maryland REALTORS® supports HB 449, to increase insurance deductible coverage for unit owners within condominium developments.

We have heard from several condominiums, particularly those with older buildings or that have experienced frequent insurance claims, that they are unable to obtain insurance coverage for their common areas with deductibles at or below \$10,000. To avoid having claims made against all unit owners for the negligence of one, we support raising the unit owner deductible to mitigate master policy liability.

However, we do suggest one amendment to the bill as introduced. The current statute requires the association to notify current unit owners of their insurance deductible requirements at least annually. REALTORS® believe it would be beneficial to also include this information in the condominium resale documents, so that prospective purchasers are aware of their responsibilities and potential liabilities under this act should they choose to purchase in that development.

With the above recommendation, Maryland REALTORS® recommends a favorable report on HB 449.

For more information contact
lisa.may@mdrealtor.org or christa.mcgee@mdrealtor.org

Maryland Legislature - 2025 HB363 _ HB449 _ HB 558

Uploaded by: Steve Horvath

Position: FWA



HOMEOWNERS
OF AMERICA
UNITED

February 07, 2025

My name is Steve Horvath. *Homeowners of America (HOA) United* is a nonprofit organization funded entirely by member donations that connects homeowners to provide advocacy, collaboration, education, empowerment, and inspiration to create positive, transformative impacts for common interest communities. A number of our members are Maryland COC homeowners.

Thank you for considering testimony from *HOA United*.

Sincerely,

Steve Horvath
Co-Founder, HOA United

Testimony for [HB615](#)

Condominiums and HOAs - Clarification for Approved Budget Notices

HOA United recommends that COCs provide formal notice of proposed budgets and adopted budgets with a complete package of information. Shared fiscal obligations are the nexus of COCs. Newsletters are not appropriate vehicles to disseminate budget information. Furthermore, Maryland can and should prescribe more rigorous budget requirements.

CURRENT MARYLAND LAW EXAMPLE: [§ 11-109.2](#)

(1) (a) *The council of unit owners shall cause to be prepared and submitted to the unit owners an annual proposed budget at least 30 days before its adoption.*

(b) *The annual budget shall provide for at least the following items:*

- (1) *Income;*
- (2) *Administration;*
- (3) *Maintenance;*
- (4) *Utilities;*
- (5) *General expenses;*
- (6) *Reserves; and*
- (7) *Capital items.*

EXAMPLE LANGUAGE MODELED ON UCIOA and Washington State

(1)(a) *The council of unit owners shall cause to be prepared and submitted to the unit owners an annual proposed budget at least 30 days before its adoption.*

(b) *The proposed budget must include:*

- (i) *The projected income to the association by category;*
- (ii) *The projected common expenses and those specially allocated expenses that are subject to being budgeted, both by category;*
- (iii) *The amount of the assessments per unit, the amount those assessments have increased or decreased expressed on an aggregate percentage and per-unit basis from the most recently ratified budget, and the date the assessments are due;*
- (iv) *The current amount of regular assessments budgeted for contribution to the reserve account;*
- (v) *A statement of whether the association has a reserve study that meets the requirements of this chapter and, if so, the extent to which the budget meets or deviates from the recommendations of that reserve study; and*
- (vi) *The current deficiency or surplus in reserve funding expressed on a per unit basis.*

(2) (i) *The council of unit owners or other governing body of unit owners shall submit the adopted annual budget to the unit owners not more than 30 days after the meeting at which the budget was adopted.*

- (ii) *The adopted annual budget ~~may~~ must be ~~submitted~~ provided to each unit owner by electronic transmission, by posting on the condominium association's home page, or by **first class mail**. ~~inclusion in the homeowners association's newsletter.~~*
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Testimony for [HB558](#)

Common Ownership Communities - Local Commissions

HOA United recommends a favorable report on this bill. Local commissions such as those in Montgomery and Prince George's counties have proven to be successful vehicles to provide information and resources to COC owners and their condos and HOAs.

Testimony for [HB363](#)

Common Ownership Communities - Candidate or Proposition Signs Display Period

HOA United recommends a favorable report with an amendment to simplify the language of current state law and as proposed in this bill to allow signs for candidates and political purposes to be subject to reasonable restrictions on manner and placement **without regard for time**. If the legislature desires to further regulate the timing of political signs, please create a more reasonable window than 30 days before the start of voting or election day.

EXAMPLE LANGUAGE FROM WASHINGTON STATE

An association may not prohibit display of signs, including outdoor signs, regarding candidates for public or association office, or ballot issues, on or within a unit or limited common element, but an association may adopt reasonable rules pertaining to the placement and manner of those displays.

Testimony for [HB449](#)

Condominiums - Property Insurance Deductibles - Unit Owner Responsibility

HOA United recommends a favorable report with an amendment. Condominium and HOA law in multiple states has created a bizarre scenario where every owner insures the liability of individual units in excess of the master deductible and requires that associations (unit owners) play insurance whack-a-mole based on owner negligence and gross negligence. Here are some examples:

- A unit owner hangs clothes from a sprinkler head

- A unit owner or their plumber creates a water loss while addressing plumbing related to in-unit fixtures such as sinks, toilets and tubs
- A unit's water heater fails
- A unit's water mattress fails
- A unit's condensate pump is not properly connected to the drain line
- A unit's washing machine discharge hose is not properly connected to the drain line

CURRENT MARYLAND LAW EXAMPLE: [§ 11-114](#)

(2) (i) 1. The cost of repair or replacement in excess of insurance proceeds and reserves is a common expense.

2. A property insurance deductible is not a cost of repair or replacement in excess of insurance proceeds.

(ii) If the cause of any damage to or destruction of any portion of the condominium originates from the common elements or an event outside of the condominium units and common elements, the council of unit owners' property insurance deductible is a common expense.

(iii) 1. If the cause of any damage to or destruction of any portion of the condominium originates from a unit, the owner of the unit where the cause of the damage or destruction originated is responsible for the council of unit owners' property insurance deductible not to exceed \$10,000.

2. The council of unit owners shall inform each unit owner annually in writing of:

A. The unit owner's responsibility for the council of unit owners' property insurance deductible; and

B. The amount of the deductible.

3. The council of unit owners' property insurance deductible amount exceeding the \$10,000 responsibility of the unit owner is a common expense.

EXAMPLE LANGUAGE MODELED ON UCIOA

(1) Notwithstanding the governing documents, the association may uniformly, and under the same or similar circumstances, assess exclusively against a unit owner's unit common expenses, including expenses relating to damage to or loss of property, caused by the:

(a) Willful misconduct or gross negligence of the unit owner or the unit owner's tenant, guest, invitee, or occupant;

(b) Failure of the unit owner to comply with a maintenance standard prescribed by the declaration or a rule, if the standard contains a statement that an owner may be liable for damage or loss caused by failure to comply with the standard; or

(c) unit owner or the unit owner's tenant, guest, invitee, occupant (and their animals and pets), or from any vehicle, equipment, appliance or fixture (or wiring or pipes related thereto) within the Unit or belonging to any of the same, if:

(i) the declaration contains a statement that an owner may be liable for damage or loss; or

(ii) notwithstanding the declaration, the association may by rule designate liability for damage and loss

(2) Before an association makes an assessment under subsection (6) of this section, the association must give notice to the unit owner and provide an opportunity for a hearing. The assessment is limited to the lesser of \$250,000 or the expense the association incurred under subsection (6) of this section less any insured proceeds received by the association. An association has the right, but not the obligation to file a claim related to losses for which it makes an assessment under subsection (6) of this section.

(3) (a) Except where subsections (1) and (2) of this section apply, in the event of loss or damage to one or more units that would be covered by the association's property insurance policy, and excluding policies that have deductibles exceeding \$250,000, and if the declaration so provides, the association may exclusively assess its actual costs for providing goods and services to repair and replace damage and destruction associated with such loss against each unit damaged or destroyed in proportion to the benefit to such unit and up to the deductible applicable to the loss on a per-unit basis. This subsection does not prevent a unit owner or a unit owner's insurance provider from asserting or subrogating a claim against another person for the amount assessed if that other person would be liable for the damages under general legal principles.

(b) Except where subsections (1) and (2) of this section apply, the association shall pay for the costs of repair and replacement of the common elements as a common expense.

(c) Notwithstanding any other provision of this Act and the governing documents, if damage is inflicted on the common elements or on any unit by an action of the association or its agents, the association shall pay for the costs of repair and replacement as a Common Expense.