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January 27, 2025

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Senator William C. Smith, Jr., Chair  
Senator Jeff Waldstreicher, Vice Chair  
2 East Miller Senate Office Building  
11 Bladen Street  
Annapolis, MD 21401

**Re: Senate Bill 446 (cross-filed with House Bill 449)**  
**Condominiums – Property Insurance Deductibles – Unit Owner Responsibility**  
**Hearing Date: February 6, 2025**  
**Position: Support**

Dear Chairman Smith, Vice-Chair Waldstreicher, and Members of the Judicial Proceedings 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 SB 446. 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.

**Maryland Legislative Action Committee**  
**Post Office Box 6636**  
**Annapolis, Maryland 21401**

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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.

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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, SB 446 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](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).

Sincerely,

*Robin C. Manougian*

Robin C. Manougian, CIRMS  
Member, Insurance  
Sub-Committee Chair  
CAI MD-LAC

*Vicki Caine*

Vicki Caine  
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