

# **testimony sb 446.pdf**

Uploaded by: Jim Lieberman

Position: FAV

**TESTIMONY OF ROGER BLACKLOW AND JIM LIEBERMAN**  
**ON FEBRUARY 6 ,2025**  
**BEFORE THE SENATE JUDICIAL PROCEEDINGS COMMITTEE**  
**IN SUPPORT OF SB 446 CONDOMINIUMS – PROPERTY INSURANCE**  
**DEDUCTIBLES – UNIT OWNER RESPONSIBILITY**

Honorable Chair William C. Smith, Vice-Chair Jeff Waldstreicher, and Members of the Senate Judicial Proceedings 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 SB445 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 SB446 will reduce HOA fees that have to increase to cover extensive damage situations. SB446 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

# **MD-LAC\_SB446\_Testimony.pdf**

Uploaded by: Kathleen Elmore

Position: FAV

Vicki Caine, Chair  
Igor Conev, CMCA, AMS, PCAM, CIRMS, Vice Chair  
Brenda Wakefield, CMCA, AMS, Secretary

Marie Fowler, PCAM, Treasurer  
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Chris Majerle, PCAM, Member

Robin Manougian, CIRMS, Member  
John Oliveri, Esq., Member  
Nura Rafati, Esq., Member  
Susan Saltsman, CMCA, AMS, Member  
Scott Silverman, Esq., Member  
Ellen Throop, Esq., Member  
Tricia A. Walsh, CISR, Member

January 27, 2025

[will.smith@senate.state.md.us](mailto:will.smith@senate.state.md.us)

[jeff.waldstreicher@senate.state.md.us](mailto:jeff.waldstreicher@senate.state.md.us)

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**

**Page 2, Senate Bill 446**  
**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, Senate Bill 446**  
**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, 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  
Chair  
CAI MD-LAC

*Scott Silverman*

Scott Silverman  
Member  
CAI MD-LAC

# **SB446 Testimony.pdf**

Uploaded by: Pamela Beidle

Position: FAV

**PAMELA G. BEIDLE**  
*Legislative District 32*  
Anne Arundel County

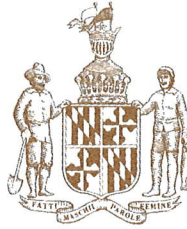
Chair, Finance Committee

Executive Nominations Committee

Joint Committee on Gaming Oversight

Joint Committee on Management  
of Public Funds

Spending Affordability Committee



Miller Senate Office Building  
11 Bladen Street, Suite 3 East  
Annapolis, Maryland 21401  
410-841-3593 · 301-858-3593  
800-492-7122 Ext. 3593  
Pamela.Beidle@senate.state.md.us

**THE SENATE OF MARYLAND**  
**ANNAPOLIS, MARYLAND 21401**

February 6, 2024

**SB446**

**Condominiums – Property Insurance Deductibles – Unit Owner Responsibility**

Good afternoon, Chair Smith, Vice Chair Waldstreicher, and Members of the Judicial Proceedings Committee,

Thank you for the opportunity to present SB 446, Condominiums – Property Insurance Deductibles – Unit Owner Responsibility. SB 446 raises the unit owners' property insurance deductible from up to \$10,000 for damages originating from their unit to up to \$25,000. This will save thousands of dollars in premium costs for both condominium building owners and unit owners.

Increasing numbers of claims for damages to buildings are raising rates on master policies. This results in higher premiums for condominium building owners, that are then passed along as higher prices for unit owners. By increasing the amount for which a unit owner may be responsible in case of building damage, overall master policy premiums can remain reasonable, because the building's master policy will not be responsible for as much of the damage repair. With this simple change, premiums can be less affected by damage to the building originating from an individual unit, which means fewer costs will be passed on to condominium owners.

This bill would not necessarily make unit owners personally responsible for paying up to \$25,000 out of pocket, as the incidences in which this deductible would be paid can be entirely covered by their own unit owner's policy. Therefore, SB 446 is only increasing unit owners' deductible in case of damage to the building originating from their units – insured under unit owner's policies – so that overall master policy premiums do not continue to rise. Condominium and unit owners will both save money, and unit owners can choose insurance that includes this deductible for damages originating in their units in their individual unit owner policies. SB 446 will positively impact condominium communities, and protect against rising premium costs.

I respectfully request a "Favorable Report" on SB 446.



# **MD-LAC\_SB446\_Testimony.pdf**

Uploaded by: Robin Manougian

Position: FAV

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January 27, 2025

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[jeff.waldstreicher@senate.state.md.us](mailto:jeff.waldstreicher@senate.state.md.us)

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Sincerely,

*Robin C. Manougian*

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

*Vicki Caine*

Vicki Caine  
Chair  
CAI MD-LAC

*Scott Silverman*

Scott Silverman  
Member  
CAI MD-LAC

# **SB 446 - Condo Insurance - FWA - REALTORS.pdf**

Uploaded by: Lisa May

Position: FWA



**Senate Bill 446 – Condominiums - Property Insurance Deductibles - Unit Owner Responsibility**

**Position: Support with Amendment**

Maryland REALTORS® supports SB 446, 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 SB 446.

**For more information contact  
[lisa.may@mdrealtor.org](mailto:lisa.may@mdrealtor.org) or [christa.mcgee@mdrealtor.org](mailto:christa.mcgee@mdrealtor.org)**