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March 03, 2026

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Delegate Kriselda Valderrama, Chair
Delegate Lorig Charkoudian, Vice Chair
231 Taylor House Office Building
6 Bladen Street
Annapolis, MD 21401

Re: House Bill 1211
Condominiums – Unit Owner Responsibility for Damage or Destruction
Hearing Date: March 05, 2026 – 1:00 p.m.
Position: Oppose

Dear Chair Valderrama, Vice-Chair Charkoudian, and Members of the Economic Matters 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 know, Maryland LAC has been before this session to discuss a bill sponsored by Del. Marvin Holmes (HB469). Similar bills have been heard in Judicial Proceedings, sponsored by Sen. Ben Kramer (SB332) and SB747 (Sen. Mike McKay) is being heard on March 05 as a cross-file to HB 469. SB747 and HB469 are in the process of being amended by the respective sponsors, but propose an increase from the current \$10,000 a unit owner’s responsibility for paying the lesser of A. The total cost of repair or replacement; B. The \$25,000 a unit amount of the council of unit owners’ property insurance deductible specified in the council’s property insurance policy;

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or \$25,000. These bills will also require that unit owners carry a condominium unit owners' (HO-6) policy that includes at a minimum Dwelling/Building Property Coverage of \$25,000 and Loss Assessment Coverage of \$25,000, which will effectively fund this responsibility (less the HO-6 policy's deductible, which can be as low as \$250) to ensure that an owner is not left with a substantial out-of-pocket expense should a loss originate in his or her unit or from a component that services only that unit (current law assigns owner responsibility only in cases where the loss originates from the unit. In cases where the cause of any damage to or destruction of any portion of the condominium originates from the common elements or from an event outside the condominium units and common elements, current law provides that the deductible is a common expense).

Shifting some responsibility (but not the entirety of the loss) when a loss originates in a unit through a shift of the master policy deductible was initially passed in 2009 with a \$5,000 cap. The law was expanded in 2020 to further define when the deductible is a common expense to include losses that originate outside the buildings in 2020 and at that time deductible responsibility cap was increased to \$10,000. This shift was and remains a means of assigning some degree of responsibility based specifically on point of origination within the unit or from a component that serves only that unit specifically because the owner has control of that space, including maintenance of certain components as defined in a council of unit owners' condominium governing documents. Maryland LAC purposely rejected any negligence standard in 2009 as proving negligence is often difficult, leading to increased litigation, but also because not all losses that occur in or from a condominium unit are due to negligence. By assigning responsibility for payment of the master policy deductible (presently capped at \$10,000) based on point of origination, condominiums could collect the deductible (again, up to the cap) on every loss rather than have to prove negligence (or not be able to collect the deductible in the absence of negligence).

That said, because an owner has no control over the common elements or what may occur outside the buildings (such as from a weather event), when the initial law was written in 2009, Maryland LAC took into consideration that assigning deductible or financial responsibility for losses an owner cannot control would not be feasible. Let's take, for example, condominiums on the eastern shore, which frequently have master policy property coverage subject to wind deductibles of 1%, 2%, 3%, or sometimes 4% of a single building's replacement value. A building with a \$5,000,000 replacement value and a 2% wind deductible would result in a \$100,000 deductible. The liability portion of a condominium unit owners' (HO-6) policy would not pay the deductible in such cases since wind is not the liability of any owner, and so making these events a common expense paid by all owners was the better option.

Assigning as a common expense the deductible for losses that originate from a common area or from a common element also promotes maintenance of those common areas and common elements by a council of unit owners' board of directors. Very often claims originate from, for example, a common element pipe that is the association's responsibility to maintain (and that may or may not

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have been properly maintained by the council of unit owners); or from a roof that is past its useful life resulting in water infiltration and damage to the condominium units – the owners damaged, either singularly or collectively, then, should not suffer the consequences of paying a deductible for a casualty loss they could not control.

While Maryland LAC understands the pressure many condominium boards of directors are under in the current insurance climate where there are fewer insurance carriers in the market and those that remain are more selective and are increasing premiums and deductibles, particularly when an association has a history of loss frequency and/or severity, HB1211, like its cross-file SB633, is onerous in that it seeks to make the entire loss the responsibility of the unit owner in whose unit a loss originates, which runs counter to how §11-114 of the Maryland Condominium Act has assigned insuring responsibility since July 01, 1982.

In fact, neither HB1211 nor SB633 address at all those portions of existing law that outline how the units are to be insured, specifically:

§11–114. Required insurance coverage; reconstruction

(a) Commencing not later than the time of the first conveyance of a unit to a person other than the developer, the council of unit owners shall maintain, to the extent reasonably available:

(1) Property insurance against risks of direct physical loss commonly insured against in amounts determined by the council of unit owners, but not less than any amounts specified in the declaration or bylaws:

(i) For attached units, multifamily dwelling units, or detached units located within a condominium not composed entirely of similar detached units, on the common elements and units, exclusive of improvements and betterments installed in units by unit owners other than the developer; and (ii) For detached units located within a condominium composed entirely of similar detached units, on the common elements; and

(ii) For detached units located within a condominium composed entirely of similar detached units, on the common elements;

The provision above requires a condominium regime to cover the units absent any improvements and betterments installed in the units by unit owners other than the developer. To assert, then, that an owner shall be responsible for the full cost of repair and replacement when a loss originates in that unit runs in conflict with a long-existing Maryland Condominium Act provision.

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While Maryland LAC understands that amending this portion of the Act could be done, it is important to understand the larger picture of why we insure the units on an original specifications basis in the first place (roughly 70% of the United States insures condominiums this way) and why shifting full insuring responsibility to the owners when a loss originates in a unit is problematic:

- 1) When the Association rather than the unit owners is responsible for insuring the original specifications of a unit (original grade floor, ceiling, and wall coverings, cabinets, countertops, appliances, fixtures, and equipment), the association can be certain that adequate insurance is in place and the board of directors can examine that adequacy with their insurance professional on an annual basis. Owners, then, are only responsible for insuring their own improvements, betterments, alterations, and additions (made or acquired from any prior owner).
- 2) Because the Board is responsible for adjusting all losses and making certain that repairs are made (§ 11-114 (d) (1) provides that, *Subject to the applicable coverage specified under subsection (a)(1) of this section, any loss covered by the property policy shall be adjusted with the council of unit owners, but the insurance proceeds for that loss shall be payable to any insurance trustee designated for that purpose, or otherwise to the council of unit owners, and not to any mortgagee.*), a council of unit owners' board of directors can ensure that repairs following a casualty loss are made consistent with the original specifications of the unit. In this way too, consistent and uniform repairs, made in a timely manner, help to maintain not only the overall aesthetic of the property, but the property values of all owners.
- 3) HB1211 (and SB633) makes no provision or requirement for owners to carry a condominium unit owners' policy, but if it did, it would put a board of directors in the untenable position of having to collect evidence of insurance from all owners annually (likely with inconsistent effective dates), determining the adequacy of each owner's Dwelling limit (including whether the HO-6 carrier meets the AM Best rating of the governing documents), and force-placing such coverage in the absence of evidence of coverage (a provision that was stricken in the soon-to-be amended SB747 and HB469 bills over liability concerns).
- 4) While claims may be reduced under the master policy, the cost of insurance for unit owners under the HO-6 policy would increase astronomically while doing little to reduce premiums under the master policy.
- 5) Finally, HB1211 provides that *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] FULL COST OF REPAIR OR REPLACEMENT OF THE DAMAGED OR DESTROYED PORTION OF THE CONDOMINIUM*, which is highly problematic. The ability for a single owner to obtain insurance theoretically for the full cost of repair or replacement of not just his or her unit, but other units and potentially the entire building

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(or other buildings should a loss such as a fire spread to adjacent buildings) is likely not commercially available under a unit owner’s policy. In this provision, for example, if a unit owner fell asleep smoking and burned an entire building down with a replacement value of \$5,000,000, the owner would be responsible for the full cost of the repair or replacement of the damaged or destroyed portion of the building – even if the “portion” were the entire structure. Such scenarios could lead to foreclosure or worse, failure of the condominium regime if it cannot rebuild.

Maryland LAC does not believe that HB1211 has been well considered and that research as to the availability of coverage under an HO-6 policy would find that procuring such a policy would not be possible resulting in enormous problems for associations.

Maryland LAC believes that Maryland’s condominium associations are better served and better and more adequately insured by maintaining primary insurance coverage within an association’s master policy, while still allowing unit owners to continue to insure their improvements and betterments, and to cover the costs of repair and replacement through increased deductible and financial responsibility up to \$25,000 when a loss originates in a unit as we are seeking through SB747, SB332, and HB469. For the foregoing reasons, MD-LAC requests an **unfavorable** report by this Committee.

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, Member and Insurance Sub-Committee Chair of the MD-LAC, at (240) 401-0855, or by e-mail at rmanougian@gmail.com, Scott Silverman, Vice-Chair of the Insurance Sub-Committee and Vice-Chair of the MD-LAC, at (410) 707-6363, or by e-mail at scott@naglezaller.com, or Igor Conev, Chair of the MD-LAC, at (443) 614-2787, or by e-mail at igor@ocmannproperties.com.

Sincerely,

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cc: Delegate Chris Tomlinson