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THE SENATE OF MARYLAND

ANNAPOLIS, MARYLAND 21401

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SB 633 Condominiums - Unit Owner Responsibility for Damage or Destruction

Chair Smith, Vice Chair Waldstreicher, and member of the Judicial Proceedings Committee:

Senate Bill 633 intends to remedy an issue that condominium owners have found allows some owners to not maintain their residences, and as a result, place a financial burden on other owners in their buildings.

The Maryland Condo Law that was passed in October 2012, as it currently exists, places an undue burden upon the condominium community at large. Even though Section 11-108.1, at the bottom of page 18, states that owners are responsible for the maintenance, repair, and replacement within their unit, there are no consequences for those who choose not to maintain or repair appliances, toilets, etc. Essentially, when a resident neglects their responsibilities to upkeep their units and there is an insurance event, once they've paid their deductible, typically \$250 or \$500, their insurance policy pays the next \$10,000 (originally \$5,000 until it was changed several years ago), and the balance is then the responsibility of the community-at-large. This is in Section 11-114, Required Insurance Coverage: Reconstruction, specifically on page 37, (g) (2) and ending on page 38.

In an example provided by one of my constituents, a resident with a 14-year-old water heater refused numerous times to replace a leaking water heater. The average water heater's life span is 10 years. Neighbors on the second and first floor saw water damage in their units and informed the property manager. This is a case of clear neglect on the part of the resident, yet the individual resident is only responsible for their deductible and insurance coverage of \$10,000. The neglectful tenant walks away with damage repaired for only out-of-pocket expense being the deductible. In this condo association, over the last number of years, events like these events cost anywhere between \$30,000 to almost \$50,000 to repair the damage. This means that the community is liable for \$20,000 - \$40,000 for each occurrence. A water heater costs \$1,500 - \$2,000 yet the cost to the community is so much greater. The Maryland Condo Law does not distinguish between events that are not the fault of the resident, and irresponsibility and neglect of the resident.

Unfortunately, due to the number of claims and a former Board member paying a premium late, their insurance company took the opportunity to cancel the policy due to the number of water

claims. Overnight, the annual premium went from \$53,000 with a \$10,000 deductible to \$200,000 with a \$50,000 deductible with Lloyd's of London, a last resort insurer. They had no recourse but to self-insure over the past several years. This condo association consists of 152 units where the vast majority are retired on a fixed income, and the average age is over 80. They have had to increase the HOA dues mid-year and again at the beginning of the next year, and every year due to this and other increasing expenses.

While Lloyd's of London reduced the premium to \$160,000 after a time, it took two years to re-establish the community with a traditional insurance company, but the premium was still much higher than before - \$86,000. Their premium has increased steadily each year and is now over \$100,000.

Senate Bill 633 would require that if any type of event is clearly the responsibility of the resident due to non-maintenance/replacement of their units, they and their insurance company should be responsible for the total cost of repair, not the condominium community association.

I respectfully request a favorable on SB 633, so condo owners take more responsibility and not cause undue burden to their neighbors.