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March 03, 2026

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

Re: Senate Bill 747
Condominiums – Mandatory Insurance Coverage
Hearing Date: March 05, 2026 – 1:00 p.m.
Position: Support with Amendments

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.

As you know, MD-LAC appeared before this committee on February 03 to support with amendments SB 332 (Sen. Ben Kramer); at that time, Sen. Mike McKay’s bill (the instant bill, SB 747) had yet to be introduced. MD-LAC is unsure as to the disposition of SB 332, though the thought at the February 03 hearing was for the senators to collaborate on a more comprehensive bill.

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Maryland LAC generally supports SB 747, but the bill as presented is a prior introduction from the 2025 legislative session in the House only (HB 1541 in 2025) designed to be a companion bill to HB 449 (Condominiums – Property Insurance Deductibles – Unit Owner Responsibility), which sought to increase a unit owner’s responsibility for paying a council of unit owners’ master policy property insurance deductible from \$10,000 to \$25,000. HB 1541 in 2025 and now HB 469 cross-filed with SB 747 was and remains the funding mechanism to pay that responsibility so that a unit owner can insure his or her responsibility and avoid any costly out-of-pocket expenses when a loss originates in his or her unit or from a component that services only that unit.

HB 449, HB 1541, and SB 446 failed to move forward in 2025, but understanding that there remains an urgent need to assist condominium associations to cope with surging insurance costs and master policies subject to rising deductibles, MD LAC on behalf of its many condominium association and resident members understands that this legislation remains urgently necessary.

We support SB 747, then, which requires that all condominium unit owners carry an individual condominium unit owners’ (HO-6) policy, but with forthcoming sponsors’ amendments (Sen. McKay on SB 747 and Del. Holmes on HB 469). The instant bill requires a full menu of unit owner policy insurance coverages including Dwelling/Building Property Coverage of \$25,000, Personal Liability of at least \$300,000, an adequate limit of Personal Property/Contents, Additional Living Expense/Loss of Use, and Loss Assessment Coverage. That said, because the intent of the bill was and remains to ensure that an owner’s master policy deductible or damage up to the association’s deductible not to exceed \$25,000 is covered by their own policy, we are recommending that only the Dwelling/Building Property Coverage and Loss Assessment Coverage be statutory requirements. In this way, we protect the financial interest of the owner while allowing Maryland’s condominium unit owners the ability to make personal coverage and coverage limit decisions where the other coverage forms are concerned. MD-LAC believes strongly that at a minimum such coverage will help condominium unit owners to avoid substantial out-of-pocket expenses should they be required to pay a council of unit owners’ deductible and/or the costs of repair and replacement not to exceed \$25,000 when a loss originates in the owner’s unit or from some component that services only that unit.

This requirement would then become part of a larger, more robust bill that also seeks to raise the current statutory requirement for payment of the lesser of an association’s deductible or the costs of repairs and replacement not to exceed \$25,000, increasing that responsibility from the current \$10,000. Again, these changes are pending sponsors’ amendments.

As the Committee may be aware, Section 11-114 of the Maryland Condominium Act (the last relevant amendment, which became effective October 1, 2020) presently 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

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component that services only that unit. Conversely, the deductible is deemed a common expense when losses originate from the common elements or from an event that occurs outside of the condominium regime. The law is intentionally based upon the point of origination of the cause of the loss, and not on any negligence standard, because assigning responsibility based upon negligence had been demonstrated to lead to time consuming disputes between condominium associations and their unit owners, not to mention costly litigation.

While only six years have passed since MD-LAC successfully pursued legislation which increased the deductible responsibility cap (from the \$5,000 passed in 2009 to \$10,000 in 2020), in that relatively brief time, the insurance market has changed dramatically. The \$10,000 deductible commonly attached to many condominiums' master policy property damage coverages in 2020 is utilized far less frequently today. Catastrophic losses (tornados, wildfires, and hurricanes) have impacted the market significantly in recent years. While the commercial insurance market is seeing some recovery, that recovery has been slower for the habitation market, where the average condominium is 30 years old. Accidental losses and those resulting from deferred maintenance continue to impact condominiums resulting in escalating premiums and deductibles.

Although condominium associations in Maryland have largely been spared the impact of natural/catastrophic loss events in recent years, they have nevertheless been affected by premium increases driven by those same catastrophic events. Insurance policies are written to protect policyholders as a pool of risks, with all insureds funding and paying into the carriers' reserves to pay claims for all insureds. Because major carriers have voluntarily withdrawn from our own market due to poor results or to protect themselves from insolvency, those carriers that continue to insure condominiums in Maryland have become much more selective. Moreover, they are safeguarding their programs through the use of higher deductibles to address loss frequency and severity. If insurance represents the transfer of risk, carriers applying higher deductibles are doing so to transfer back some of that risk to remain viable and to promote regular maintenance and risk management among insureds.

The \$10,000 deductible is ever more scarcely seen, as carriers are routinely applying deductibles of \$25,000 or higher, particularly for condominium associations containing buildings with four or more stories, and/or in condominium associations whose loss ratios (a measurement of claims paid in proportion to premiums earned) are outside of expected norms (typically in excess of 35% to 40% of written premium). Even without losses, many carriers are liberally applying higher deductibles to older associations to prevent claims and compel maintenance.

When a loss originates in a unit, the current law requires only that the owner of the unit where the loss originates pay the first \$10,000 – even if the master policy's actual deductible is higher. However, *the Association and all its members* pay the difference between the \$10,000 for which the unit owner is responsible and the actual amount of the deductible, whatever that amount might be. Example: A unit owner leaves the water running in his bathtub on the ninth floor; the tub

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overflows, damaging multiple units on several lower levels. The total loss is \$100,000, subject to the condominium's property damage deductible of \$25,000. The condominium's policy is primary coverage as a matter of law because Section 11-114 of the Act requires the condominium to insure the common elements and all units, exclusive of improvements and betterments and the unit owner's personal property. Under current law, the owner where the loss originates would cover the first \$10,000, but the Association would pay, as a *common expense*, the difference of \$15,000. The resulting common expense would be even greater if the policy's deductible were higher, and many Maryland condominium associations are able to obtain insurance only if it is subject to deductibles of \$25,000, \$50,000, \$100,000, or more either because of lack of availability of affordable coverage or due to an adverse claims history.

The forthcoming sponsors' changes will mandate that owners carry an HO-6 policy with at least \$25,000 of Dwelling/Building Property Coverage and \$25,000 of Loss Assessment Coverage, but to also increase the current \$10,000 statutory shift of an owner's responsibility for payment of the council of unit owner's master policy deductible not to exceed \$25,000, inclusive of the total cost of repair and replacement up to that \$25,000 threshold. Such an increase will track more commonly used higher master policy deductibles, will promote regular in-unit maintenance and risk management by condominium unit owners, and will alleviate at least some of the financial burden to associations (and subsidization of payment of some of the balance of higher deductibles as a common expense by the rest of the owners).

While the increase in responsibility may appear to be substantial, it is essential to enable Maryland condominium associations and the members that support them to function in an insurance market that has become increasingly difficult to negotiate. The increase from \$10,000 to \$25,000 tracks already filed and approved deductible schedules by carriers in the State of Maryland. Moreover, any amount of deductible responsibility less than \$25,000 would become obsolete very soon. By combining the concepts of increasing unit owner financial responsibility from \$10,000 to \$25,000 with a requirement for unit owners to carry personal insurance that funds that responsibility, we help condominium associations *and their members* by protecting all members – the ones who did not cause a loss, and the ones who did – from excessive financial burden.

For the foregoing reasons, MD-LAC requests a **favorable** report by this Committee **with the forthcoming sponsor's amendments**. Thank you for your time and attention to this important legislation.

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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 rcmanougian@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,

Robin C. Manougian

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Scott J. Silverman

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Igor Conev

Igor Conev, CMCA, AMS, PCAM, CIRMS
Chair, CAI MD-LAC

cc: Senator Mike McKay

CAI is a national organization dedicated to fostering vibrant, competent, harmonious community associations for more than fifty years. Its members include community association volunteer leaders, professional managers, community management firms, and other professionals and companies that provide products and services to common interest associations. As part of its mission, CAI advocates for legislative and regulatory policies that support responsible governance and effective management. As part of this purpose, state Legislative Action Committees represent CAI members before state legislatures and agencies on issues such as governance, assessments collection, insurance and construction defects.