



The Special Assessment April 2025 Edition



Deciphering Property Damage Insurance in Condominiums: A Bullet List of the Basics

By: Brendan Bunn

A dishwasher in an upper-level condo unit breaks suddenly and without warning -- and water floods the kitchen floor and then cascades to the two units immediately below causing damage to ceilings, floors and furniture. What to do? Call a remediation company? Call the property manager and demand that the association make a claim on the condo master policy? Call the unit owner's insurance carrier? After all it was their dishwasher that broke.

Too often, this situation results in the condo association denying all responsibility and telling all the owners involved to call their own carriers -- and then hope for the best. In fact, many associations believe that if a loss emanates from a unit component, this automatically means that the association is uninvolved. **Wrong.** In fact, in most situations involving a casualty loss (a sudden impactful event, like a burst pipe or broken hose), the condo association is **necessarily** involved – both because of provisions in the bylaws and the way insurance works in most condominium communities.

Here is a bullet list of some of the basic rules for dealing with sudden damage events in a condominium setting, at least in most condominiums:

- Association Master Policy Covers Entire Condominium. In most condominiums, the Bylaws require that the association purchase a “master” all-risk casualty policy that covers the entire condominium in case of “casualty” losses – **both** units and common elements. For most casualty losses (sudden events such as fires or burst pipes), the master policy is actually primary, **even if the loss emanates from one unit** – and even if that unit owner was culpable or negligent in causing the loss.

- Is This Arrangement Fair? Some boards and managers find this arrangement unfair. After all, if a resident puts something improper down their sink or fails to properly check their washing machine hose, why should there be a claim on the association policy? While it might seem counter-intuitive, we must remember that condo unit owners **pay for the master policy through their assessments** and that policy almost always covers the units, as well as common elements. Thus, they should therefore enjoy the benefits of that coverage. As for a “culpable” or misbehaving unit owner who causes the loss, they often may be held responsible for the deductible on the master policy (which can be considerable in today’s market) -- but they remain entitled to the basic coverage provided by the master policy.
- Unit Insurance Policy Also Implicated. Keep in mind that most master condominium policies cover unit restoration only to **builder grade** level and do not cover upgrades or improvements made by the owner. Also, most master policies **do not cover losses to personal property** (furniture, clothes, computers) or relocation expenses if an owner must move out of the unit during repairs. These items are usually covered by a homeowner’s condominium unit (HO6) insurance policy, rather than the master policy. Please note that for DC condominiums, DC law requires each unit owner to carry a unit insurance policy is **required by DC law** – and it is often required by more modern condominium bylaws.
- Bylaws Usually Require Associations to Supervise Repairs. Under most modern condo documents, when a casualty loss occurs, the association is **required to arrange for repair/restoration** of the damaged units and common areas (or to reimburse an owner if the bylaws require them to do so). Either way, the bylaws usually contemplate that a claim will be made on the master policy, that should provide most of the funds for the repairs, with an adjuster from the carrier assisting in making estimates for the restoration work. However, if an association chooses **not** to make a claim on the master, this does not relieve the association of its responsibility for repairs (often referred to as the association “self-insuring” for a particular loss event).

Bear in mind that because a unit owner’s HO6 policy covers unit upgrades and improvements, the HO6 and master policy carriers may have to work together to properly adjust the claims so the unit can be fully restored.

- Dealing with the Master Policy Deductible. All insurance policies have deductibles, and a master condominium policy is no exception. In fact, many master policies have deductibles ranging from \$10K to \$50K due to today’s difficult insurance market. Under many sets of bylaws, an association may be forced to “eat” the master deductible for insured casualty losses. However, under some bylaws, an association may be able to assess the master deductible against a unit if that owner was negligent and caused the loss (e.g., smoking in bed or failing to properly maintain their unit). Whether the master deductible can be assessed against an owner usually depends on the bylaws. However, under DC law, when the bylaws do not address responsibility for the deductible then if the cause of damage originates from a unit, that unit’s owner is responsible for master policy deductible up to \$5,000. Meanwhile, many unit HO6 policies have an endorsement that covers the owner for their potential liability for the master deductible – so associations should **remind owners to make sure they have enough coverage** for this potential liability.
- Insurance Only Applies to Casualty Losses – Not “Slow Drip” Maintenance Issues. There is often confusion as to when a condominium association must become involved in a water damage event that starts in a unit. The general rule is that when there is “sudden” unexpected event – a “casualty loss” – the bylaws generally require the association to become involved through making a claim on the master policy and making repairs to the damaged units/common elements. But if the damage is created by a **non-casualty situation** – like a slow leak due to a caulking failure or a drip-leak from a dishwasher that occurs over time – this is typically **not** a casualty loss, and insurance is not implicated. In this circumstance, an association can look to its bylaws to determine

who is responsible for the damage – and it is often an owner who was supposed to maintain the leaky component.

As usual in condominiums, one must first consult with the particular bylaws to chart a roadmap in addressing a casualty loss. Hopefully, in addition to the bylaws, this bullet list can be a good starting point for both understanding how insurance works in condominiums and how to respond when a water or fire event makes a mess in a condominium setting. And educating homeowners about how their HO6 policies work in conjunction with the master policy can help as well.



DC Legislative Update

By Bradley Barna

E-Meetings “Mind the Gap”

Several years after the D.C. Council initially passed temporary legislation allowing condominium associations to hold virtual meetings and conduct electronic voting in response to the COVID-19 pandemic, permanent legislation is anticipated to come into effect on May 22, 2025. Over the intervening years, the D.C. Council has passed various versions of emergency and temporary legislation to aid condominium associations in conducting virtual meetings, but until earlier this year permanent legislation had not been adopted. One quirk in the DC legislative process may create a gap in the availability of virtual membership meetings for associations. The latest temporary legislation authorizing virtual meetings is set to expire on May 14, 2025, while the projected effective date for the permanent legislation is May 22, 2025. That projected effective date is based off of when the legislation was transmitted for Congressional Review under the D.C. Home Rule Act and could change. But if not, avoid holding virtual membership meetings in DC during the gap between the temporary and permanent legislation.

The new subsection (f) of Section 42-1903.03 of the D.C. Condominium Act will read as follows:

“Notwithstanding any language contained in this act or in the condominium instruments:

- (1) Meetings of the unit owners’ association, executive board, or committees may be conducted or attended by telephone conference, video conference, or similar electronic means. If a meeting is conducted by telephone conference, video conference, or similar electronic means, the equipment or system used must permit any unit owner in attendance to hear and be heard by, and to comprehend what is said by, all other unit owners participating in the meeting. Any unit owner, board member, or committee member attending such meeting shall be deemed present for quorum purposes.
- (2) A link or instructions on how to access an electronic meeting shall be included in the notice required under subsection (a) of this section.
- (3) Any matters requiring a vote of the unit owners’ association at an annual or regular meeting may be set by the executive board for a vote, and a ballot may be delivered with the notice required under subsection (a) of this section. The executive board may set a reasonable deadline for a ballot to be returned to the association.
- (4) The executive board may authorize unit owners to submit votes by electronic transmission up to 7 days before the scheduled date of any meeting of the unit owners, and unit owners who submit votes during such period shall be deemed to be present and voting in person at such meeting.”

Electric Vehicle Legislation – Not so fast

The DC Council adopted legislation last fall entitled the Comprehensive Electric Vehicle Infrastructure Access, Readiness, and Sustainability Amendment Act of 2024 (Bill 25-106), which, among other things purported to define and limit the authority of condominium associations and community associations to regulate electric vehicle charging stations within their respective property. This legislation provides for a number of requirements on owners proposing to install stations, including that they obtain approval, use qualified contractors, agree to indemnify the association, pay for the costs of install and use, and carry adequate insurance, among others. The law ostensibly marks a significant change in the landscape for how DC condominiums address owner requests to install EV charging stations; however, while the law has been passed, it is not yet legally effective.

In DC, laws are often passed “subject to funding” meaning that while the law is on the books, its provisions only take effect once the funding for the law has been included in an approved budget and financial plan. At present, the funding for this new law has not been included in any approved budget and financial plan and so the provisions of the law currently have no legal effect. Once a budget is approved that includes such funding, the text of the bill will trigger into effect, but that has not yet happened. One barrier to funding being included in any budget may be the mayor’s reticence to dedicate funds for its enactment. The bill was returned to the Council by the Mayor’s Office without signature and with a letter expressing concerns over the passage of laws for which there was no funding. It remains to be seen if and when the mayor will include funding for the law in a proposed Budget. Even without the law taking effect, association boards should take note of the text and plan for compliance in case the law takes effect. Moreover, boards should be prepared to address inquiries from owners who may have read the law, but who are not aware that it hasn’t taken effect at this point.



FinCEN Announces Issuance of Interim Final Rule Removing Beneficial Ownership Interest Reporting Requirement for U.S.-Formed Companies

On March 21, 2025, the Financial Crimes Enforcement Network (FinCEN) announced that it is issuing an interim final rule that removes the requirement for U.S. companies and U.S. persons to report beneficial ownership information (BOI) to FinCEN under the Corporate Transparency Act (CTA). Companies formed in the United States are removed from the definition of “reporting company” under the interim final rule, and in its announcement FinCEN explained that, “through this interim final rule, all entities created in the United States — including those previously known as “domestic reporting companies” — and their beneficial owners will be exempt from the requirement to report BOI to FinCEN.”

This announcement follows an announcement from the Department of the Treasury on March 2, 2025, in which it stated that the BOI reporting requirement under the CTA would not be enforced. The interim final rule announced by FinCEN takes that one step further by removing the reporting requirement altogether for entities created in the United States. The interim final rule became effective on March 26th when it was published in the *Federal Register*, which means that community associations formed in the U.S. are excluded from the CTA’s reporting requirements under the interim final rule. After a public comment period, though, that interim final rule is subject to change. FinCEN’s announcement can be found here: <https://fincen.gov/news/news-releases/fincen-removes-beneficial-ownership-reporting-requirements-us-companies-and-us>, and the interim final rule can be found here: <https://fincen.gov/resources/statutes-regulations/federal-register-notice/beneficial-ownership-information-3>.

We will continue to monitor and alert our clients regarding any further developments, although it now appears very likely that months of uncertainty regarding the BOI reporting obligation have come to an end – at least for now.

Chadwick Washington Zoom Webinar Series



Chadwick, Washington, Moriarty, Elmore & Bunn, P.C., is pleased to host and invites you to attend one or more of its educational Webinar Series for 2025 highlighting topics relating to community association law and governance. Each Webinar is one hour, with two topics presented by CWMEB attorneys followed by Q&A Sessions in separate Zoom breakout rooms staffed by CWMEB attorneys. The waiting room for the Webinars will open about 15 minutes before the sessions begin at 7:00 p.m., with the Q&A Breakout Rooms opening at approximately 7:40 p.m.

Topics this season include Tips for Membership Meetings; Often Overlooked Statutory Provisions; Enforcement of Violations; How to Handle Collection of Delinquent Assessments; A Primer on the Owners' Bill of Rights; Association Annual Check-Up; Fair Housing Issues (including Assistance Animals and Requests for Reasonable Accommodations and Modifications); Stormwater and Surface Water Management; Statutory Free Means of Communication; Tips for Board and Committee Meetings; Case Law Update; legislative updates (June sessions); and more.

The firm's next educational Zoom Webinar will be held on **Monday, April 28, 2025, at 7:00 p.m.** and will include presentations regarding **Tips for Membership Meetings** and **Often Overlooked Statutory Provisions**. If you are interested in registering, you may do so directly [here](#). If you encounter any issue with loading the Registration page, please send an email with your name and association name to Niyati Vaidya at nvaidya@chadwickwashington.com.

We look forward to seeing all of our clients and guests during our 2025 Webinar Series and encourage you to register early for those topics and presentations you don't want to miss. The schedule listing the dates, times and topics for the 2025 Webinar Series is posted [here](#). Clients, managers and guests can also register for the Webinar(s) of choice directly [here](#). Additionally, more information can be found on the Seminar Series page of our website at www.chadwickwashington.com.

Chadwick Washington Offers Virginia CICB Training

The Firm is certified by the **Virginia Common Interest Community Board** to teach 4 hours of community manager license renewal training, which is open to Virginia managers and covers Common Interest Community Law (2 hrs.) and Fair Housing (2 hrs.). We will be posting a schedule on our website once it is finalized, so make sure to check back. If a management company is interested in scheduling a session for its managers, contact Michele Green, mgreen@chadwickwashington.com.

Firm Happenings



Bruce H. Easmunt presented “Designing for Failure – The Art of Deconversion”, a seminar focused on the benefits and risks of potentially selling or redeveloping a condominium at the 2025 Washington Metro Chapter of the Community Associations Institute (“WMCCAI”) Annual Conference & Expo on March 2, 2025.



Tiago Bezerra and **Dan Blom** co-presented *When Life Gives You Lemons: Managing Difficult Situations in Community Association* with Bryant Phillips, Executive Vice President from Associa-CMC, at the 2025 WMCCAI Annual Conference & Expo on March 2, 2025.



On February 27, 2025, **Jerry Wright, Jr.** and **Michael Sottolano** presented a webinar for the Central Virginia Chapter of the Community Associations Institute (“CVCCAI”) on the Essentials of Association Rule & Regulations.



Olga Tseliak and **Jerry Wright, Jr.**, presented CICB Licensure Training for the Southeastern Virginia Chapter of Community Associations Institute on Thursday April 10, 2025.



Check out through the link below the article *What Happens When A Claim is Filed* written by **Allen Warren** and published in the April 2025 edition of WMCCAI’s *Quorum*.

[Read full article](#)



Check out through the link below the article *Spring Cleaning (for your Governing Documents)* written by **Michael Sottolano** and **Edward Cush, III** and published in the Spring 2025 edition of CVC-CAI’s *Consensus*.

[Read full article](#)



Check out through the link below the article *You're Killing Me, Smalls!* written by **Tiago Bezerra** and published in the March 2025 edition of WMCCAI's *Quorum*.

[Read full article](#)



Check out through the link below the article *We're Sorry Ms. Jackson. We Are for Real. You are Not on the Board* written by **Melissa Payne** and published in the February 2025 edition of WMCCAI's *Quorum*.

[Read full article](#)



On April 25, 2025, **Ken Chadwick** (Emeritus), along with Dawn Bauman and Paul Orlando, will be panelists for the Keynote Presentation at the CVC-CAI *That 70s Tradeshaw and Expo*, where **Jerry Wright, Jr.** will be co-presenting the VALAC & Legislative Update with Don Boswell.



Bruce H. Easmunt will be speaking on May 15, 2025, at the upcoming *Meeting in the Middle* event hosted by WMCCAI and CVC-CAI.

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