



VANGUARD MANAGEMENT

Vanguard Management Associates, Inc.
Telephone 301 / 540-8600
www.vanguardmgt.com

Post Office Box 39
Germantown, Maryland 20875-0039

January 28, 2020

Honorable William C. Smith, Jr., Chair
Senate Judicial Proceedings Committee
2 East
Miller Senate Office Building
Annapolis MD 21401

Re: **SB 175** – Condominiums – Responsibility for Property Insurance Deductibles

Position: Support Hearing: January 28, 2020

Dear Senator Smith and Members of the Committee,

I am offering this testimony in support of SB175 introduced by Senator Chris West.

I am the President of Vanguard Management Associates in Germantown MD and have been in the business of managing condominium and homeowner associations for over 35 years.

In 2009, the Legislature adopted the current law allowing the transfer of the responsibility for the master insurance deductible to an individual unit owner when a loss originates from an individual unit. The amount was capped at \$5,000.00. The change in the statute also required notification of this exposure to all owners at least annually.

Speaking for my company, and the twenty-one (21) condominium associations we manage, we provide the required notice a minimum of three (3) times annually, including a description of the type of owners insurance policy they should have as well as a reminder of their responsibility for certain maintenance. Nevertheless, in the past several years, while more homeowners seem to have the necessary insurance, still not all do the incidences of casualty losses due to owners' failure to maintain their homes, particularly plumbing and HVAC systems, has actually increased.

For example, my company represents a 200+ unit condominium in Germantown MD where, over the past three (3) years, there has continually been no fewer than twelve (12) active casualty losses at any give time. Being that each casualty loss involves an average of three (3) dwellings, there are continually about thirty-six (36) homes affected with some degree of damage.

The majority of these casualty losses are due to lack of homeowner maintenance - old water heaters that fail, HVAC condensation lines clogged, old dishwasher hoses breaking, failure of tub/shower grout and caulk - **MOST OF THESE ARE PREVENTABLE!**



The average loss is in the range of \$8-12,000.00. The master deductible is \$10,000.00. Do the math, every loss creates a shared cost for all owners of not less than \$3,000.00

This is NOT the only condominium association with this type of experience.

The ultimate result is that the condominium association has a high incidence of claims, a bad loss experience and their insurance carrier rates the condominium poorly resulting in:

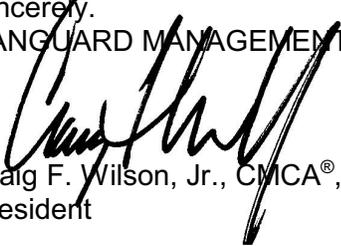
- higher premium cost, and/or
- higher loss deductible or
- cancellation/non-renewal of coverage forcing the condominium association into higher cost, higher deductible policies.

This leads to higher assessments for all owners, not just the owners where the losses originated from their units.

Allowing the transfer of a higher deductible amount will offer some relief to those owners who do responsibly take care of their homes. The owners who fail to maintain their homes will bear the cost of repair or the higher individual insurance premiums that result from their lack of due diligence.

I encourage the Committee to issue a favorable report on SB175.

Sincerely,
VANGUARD MANAGEMENT ASSOCIATES, INC.


Craig F. Wilson, Jr., CMCA®, AMS®, PCAM®
President

cc: CAI MD-LAC