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THE SENATE OF MARYLAND  
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January 28, 2020

The Honorable William C. Smith, Jr.  
Senate Judicial Proceedings Committee  
2 East Miller Senate Building  
11 Bladen Street  
Annapolis, Maryland 21401

**Re: Senate Bill 175 – Condominiums – Responsibility for Property Insurance Deductibles**

Dear Chairman Smith and Members of the Committee,

Senate Bill 175 is a fairly straightforward bill which seeks to increase the maximum amount of a condominium's property insurance deductible for which an individual unit owner is responsible. Currently, the maximum amount for which a unit owner is responsible is \$5,000 if the loss originates in that unit. This bill would increase the maximum amount to \$10,000.

Let me explain why this change in the existing law is a good idea. Ultimately, the unit owners of a condominium pay all of the expenses of the condominium, whether the expenses are initially allocated to the common elements and paid by the condominium management or to the unit owners. This is because expenses allocated to the common elements are paid from the condominium fees, which in turn are paid by the unit owners.

Condominiums always have property insurance policies with a deductible, and the unit owners generally have their own HO-6 property insurance policies with their own deductibles.

Many condominiums have deductibles much higher than \$5,000 due to their troubled loss histories. Frequently, these losses are attributable to unit owner negligence. The deductible amount can reach \$50,000 or more. Under current law, a unit owner responsible for the property damage to the common areas of the condominium only is required to contribute \$5,000 to repair the loss. meaning that if the condominium deductible is, say, \$25,000, the condominium ends up paying \$20,000 to repair the damages, and as a consequence, the condominium fees will go up and will be paid by *all* of the unit owners.

Further, it seems only fair that when damage to a condominium's common areas is caused by a single unit, the responsible unit owner should bear a significant part of the burden of restoring

the common areas. Under current law, the unit owner is limited to \$5,000, and the insurer of the condominium may not subrogate (go after) a unit owner, no matter how negligent the unit owner was in causing the loss. This bill raises the unit owner's potential liability to \$10,000. One salutary bi-product of this bill, therefore, will be to incentivize unit owners to avoid negligent conduct so as to eliminate the likelihood that something that occurs in their units will result in damage to the common areas of the condominium. It also needs to be emphasized that a unit owner can insure the unit owner's liability of up to \$10,000 under the unit owner's HO-6 property insurance policy.

By providing for an increased deductible responsibility for unit owners, Senate Bill 175 can help to alleviate some of the financial strain on condominium associations, can help re-focus condominium reserves for better uses, can help to reduce or at least stabilize condominium fees for **all** of the unit owners and will help encourage unit owners to responsibly maintain their units.