

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 639 (Senator Jacobs)

Judicial Proceedings

Economic Matters

Real Property - Maryland Condominium Act - Unit Owner Liability

This bill provides that except where the condominium council of unit owners bylaws specify otherwise, if the cause of any damage to or destruction of any portion of the condominium originates from a unit, the council of unit owners' property insurance deductible is a common expense. If the bylaws require a condominium unit owner to pay the deductible when the cause of any damage or destruction originates from the owner's unit, the owner's responsibility is limited to \$1,000. The bill provides that a property insurance deductible is not a cost of repair or replacement in excess of insurance proceeds. The bill authorizes the council of unit owners to make an annual assessment against the unit owner responsible for the deductible. The amount of the deductible in excess of the unit owner's \$1,000 responsibility is a common expense. If the cause of damage or destruction originates from a common element, the deductible is a common expense.

Fiscal Summary

State Effect: Assuming that the Consumer Protection Division will receive fewer than 50 complaints per year stemming from this bill, existing resources should be adequate to handle any additional workload.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A condominium council of unit owners must maintain, to the extent reasonably available, comprehensive general liability insurance and property insurance on the common elements and units, excluding improvements installed in units by unit owners. Each unit owner is an insured person under the policy with respect to liability arising out of the owner's ownership of an undivided interest in the common elements or membership in the council of unit owners. The cost of repair or replacement in excess of insurance proceeds and reserves is a common expense. With certain exceptions, any portion of the condominium damaged or destroyed must be repaired or replaced by the council of unit owners.

Funds for payment of current common expenses and for the creation of reserves for the payment of future common expenses must be obtained by assessments against the unit owners in proportion to their percentage interests in common expenses and common profits.

A unit owner is liable for all assessments, or installments thereof, coming due while owning the unit. Payment of assessments, together with interest, late fees, costs of collection, and reasonable attorney's fees may be enforced by the imposition of a lien on a unit in accordance with the Maryland Contract Lien Act.

Additional Information

Prior Introductions: A similar bill, SB 491, was introduced in the 2000 session and received an unfavorable report from the House Economic Matters Committee.

Cross File: HB 938 (Delegates Brown and Pitkin) – Economic Matters.

Information Source(s): Office of the Attorney General (Consumer Protection Division), Office of the Secretary of State, Department of Legislative Services

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