

Senate Bill 0806

Education, Energy and the Environment Committee

Hearing Date: March 7, 2024, 1 PM

Testimony from Steve Klitsch, Licensed Home Improvement Contractor, MHIC 88329

The Maryland Home Improvement Commission (MHIC) was established in 1963 by legislation generated in Annapolis. Under the existing Maryland Home Improvement Licensing Law legal paragraph “8-302.1 (b) Licensed Contractor. – a licensed contractor shall maintain general liability insurance in the amount of at least \$50,000.00.” In 1963 the median price for a residence in Maryland was estimated to be about \$18,400.00. Recently, the Maryland Department of Assessments and Taxation published that residential property values have increased 25.6% since January 2021. Today, the average median price of a home in Maryland is \$408,000.00.

Ask yourselves this question. Does it make sense for me to hire a licensed contractor who does not have enough insurance to cover the cost to replace my home? Most insurance underwriters in Maryland will not write liability insurance for less the \$500,000.00. Of the insurance carriers I interviewed by telephone, said they strongly encourage the contractor to purchase \$1,000,000.00 of liability insurance and they discourage anything less. However, some policies are written for less.

Dave Finneran, Executive Director of the MHIC shared with me on Feb 6, 2024, that every two years contractor licenses are up for renewal. In the renewal process, the contractor is to provide the MHIC a certificate of insurance. Mr. Finneran further explained that the minimum liability insurance certificate he sees for license renewal is \$500,000.00 and the majority of liability certificates he receives are for \$1,000,000.00 or more.

Today, a \$50,000.00 liability policy, under the law, will likely not cover restitution should damage occur to a homeowner residence. If a claim is filed and it exhausts the \$50,000 and more funds are required to cover damages, the homeowners’ next step is to go to court and file a lawsuit against the contractor and try to attach whatever assets they have. Another option for the homeowner is to file a complaint against the contractor at the MHIC and seek restitution from the Guaranty Fund. This puts a burden on the resources of the MHIC. The burden to the MHIC is involved as; investigators gather evidence, a hearing is conducted, and a cash award is offered to the homeowner from the Guaranty Fund. This is a burden of manpower and money that could be utilized in other ways.

The annual premium for liability insurance cost to the contractor for a \$500,000 policy is averaged about \$700.00. My liability insurance premium for my \$1,000,000.00 policy last year cost \$821.00. The cost of the insurance is a business expense to the contractor, however it is not a heavy burden to the small business person in the home improvement industry in Maryland.

Senate Bill 0806 is a consumer bill to protect the homeowner against liability issues from home improvement contractor. As a home improvement contractor serving Maryland homeowners since 1979, it is time to change this 61-year-old statute. Please increase the minimum liability insurance requirement to \$500,000.00. I am in favor of House Bill 738.

Respectfully,

Steve Klitsch

MHIC 88329