



**MARYLAND
LEGAL AID**

*Advancing
Human Rights and
Justice for All*

House Bill 564

Real Property – Residential Leases – Renter’s Insurance Requirement

Hearing in the House Environment and Transportation Committee

Hearing on February 16, 2024

Position: FAVORABLE WITH AMENDMENT

Maryland Legal Aid (MLA) submits its written and oral testimony on HB0564 at the request of Delegate Jen Terrasa.

MLA is a non-profit law firm that provides free legal services to the State’s low-income and vulnerable residents. Our offices serve residents in each of Maryland’s 24 jurisdictions and handle a range of civil legal matters, the most prominent of which is housing. Our Tenants’ Right to Counsel Project represented tenants in over 2,000 cases in 2023. Maryland Legal Aid asks that this Committee report **favorably with amendment** on HB0564.

This bill mandates that all tenants in the State of Maryland carry renters insurance at their own cost. We oppose this mandate principally because our clients would struggle to afford the cost of the insurance premium and deductible. However, HB0564 would also prohibit landlords from steering renters to choose certain renters insurance policies or certain policy terms and further prohibit landlords from naming themselves as a beneficiary or additional insured on a renters insurance policy. MLA supports these prohibitions.

A rental insurance mandate would exacerbate housing unaffordability.

We are in a national housing emergency, with homelessness¹ and housing expenses² at or near all-time highs. Any additional expense imposed by law on a low-income tenant in this environment increases the likelihood that that tenant could fall behind on rent or other obligations, placing Maryland households in the predicament of choosing to risk eviction or to risk some other setback.

The cost of renters insurance is considered minimal, often equated with “one cup of coffee a day.” The National Association of Insurance Commissioners cites the average cost at “between \$15 and \$30 per month depending on the location and size of the rental unit and the policyholder’s possessions.”³ MLA’s clients often do not have the luxury of a Starbucks run. A \$30 monthly premium for renters

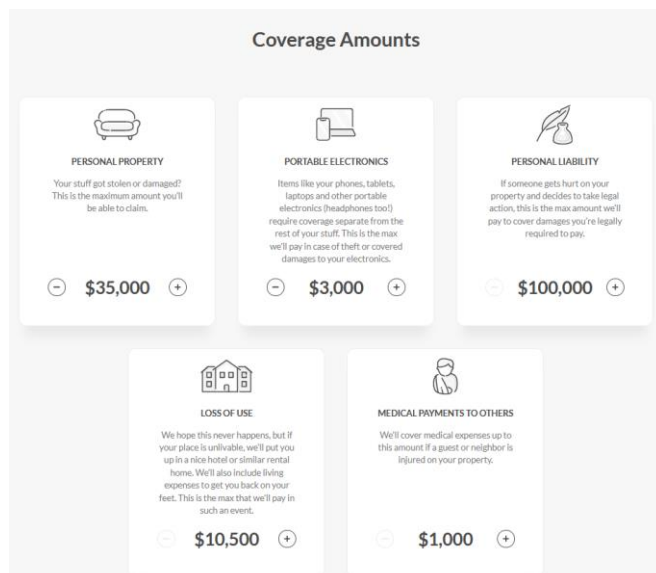
¹ The U.S. Department of Housing and Urban Development, 2023 Annual Homelessness Assessment Report (AHAR) to Congress, published December 2023, available at <https://www.huduser.gov/portal/sites/default/files/pdf/2023-AHAR-Part-1.pdf> (finding that the 2023 Point-in-Time count recorded the highest number of people reported as experiencing homeless since reporting began in 2007).

² The U.S. Department of Housing and Urban Development, Median Rental Price from 2001 to 2021, available at https://www.huduser.gov/portal/ushmc/hd_rai.html (finding median rent near all-time highs).

³ National Association of Insurance Commissioners, “For Rent: Protecting Your Belongings with Renters Insurance” (Jan. 1, 2015), available at <https://content.naic.org/article/consumer-insight-rent-protecting-your-belongings-renters-insurance>.

insurance might require skipping a prescription refill, turning off a phone plan, falling into arrears on the water bill, or forgoing a fill-up at the gas station.

One prominent renters insurance carrier called Lemonade advertises coverage for as little as \$5.00 per month.⁴ For basic coverage, however, the cost comes to \$281 annually (\$23.42 per month) with a \$2,500 deductible. This cost may fluctuate based on the location, age, and “durability” of a property. At this price, Lemonade provides only \$35,000 in personal property coverage. According to State Farm, “[f]or the average renter, the cost of replacing all of their belongings—including clothes, cookware, and computers—could easily exceed \$35,000.”⁵ The policy also limits coverage of “additional living expenses” to \$10,500 and personal liability protection to \$100,000.



Price estimate for a Baltimore City apartment (Feb. 14, 2024)

This example illustrates that renters insurance that low-income renters would struggle to afford would be unlikely to benefit them in practice. In MLA’s experience with low-income and extremely low-income households, renters would be unlikely to maintain the mandated renters insurance by paying the monthly premium on time and would thereby become vulnerable to an eviction action based on breach of the lease. Even if they maintained the policy, it would be unlikely that they could use their policy because the deductible is prohibitively expensive. They would have paid for minimal coverage that they cannot afford to use when needed.

Mandated renters insurance may violate federal housing laws.

Tenants in federally subsidized housing make up a substantial portion of MLA’s clients. Their housing costs are set as a percentage of their income. In Section 8, public housing, and Section 236 Rental Assistance Payment and Rent Supplement properties, mandatory fees for nonessential services – such as renters insurance – violate federal law if, when added to rent, the tenant’s total housing cost exceeds 30% of adjusted income.⁶ Mandatory charges for nonessential services, such charges may also violate the law governing maximum rental charges for flat rent tenants (e.g., Section 236 Basic Rent or “market rent”).

⁴ Mike Miller et al., “Lemonade Renters Insurance Review 2022: Coverage and Cost,” MarketWatch, available at www.marketwatch.com/guides/insurance-services/lemonade-renters-insurance-reviews.

⁵ Penelope Wang, “Why You Should Buy Renters Insurance,” Consumer Reports (Mar. 8, 2021), available at <https://www.consumerreports.org/money/why-you-should-buy-renters-insurance-a3621387609>.

⁶ See *Hous. Auth. & Urban Redev. Agency of Atl. City v. Taylor*, 796 A.2d 193 (N.J. 2002).

For the aforementioned reasons, **MLA asks that the Committee, by amendment, strike the renters insurance mandate from the bill – striking lines 21 through 26 on page 2.**

Other provisions of HB0564 would protect Maryland tenants from bad insurance products forced on them by the terms of their leases.

Presently, landlords can (and do) compel their tenants to purchase renters insurance as a requirement in the lease. These leases typically also require the tenant to name the landlord as beneficiary of the policy. Effectively, through the lease, which is rarely if ever negotiated, the landlord steers tenants towards the landlord's preferred insurance product, with coverage amounts that primarily benefit the landlord.

67. INSURANCE: During the term of this Lease, and any renewal or extension thereof, Resident shall, at Resident's sole cost and expense, purchase renter's form homeowner's insurance coverage on the Premises providing for personal liability (bodily injury and property damage) coverage with a limit of not less than \$300,000.00 each occurrence and \$5,000.00 in medical payments coverage; and further, providing coverage to keep Resident's personal property on and in the Premises insured for the benefit of Resident against loss or damage resulting from broad form named perils on a replacement cost basis. In addition, Resident must name **The Mount Washington Group, LLC** as either an "Interested Party" or an "Additional Interest" under the policy(ies). Resident shall provide a copy of a certificate of insurance of the policy(ies) required by this Section. Should Resident fail to comply with the provisions of this Section of this Lease Agreement, Resident shall pay to Agent an additional \$25.00 (TWENTY FIVE DOLLARS) per month, to be collected as additional rent, until Resident purchases and maintains the insurance coverage required by this Section. Collection of such fee shall be in addition to, and not in Lieu of, any other remedies which Agent may have as a result of Resident's failure to comply with this Lease provision. _____

Example of a renters insurance requirement in a lease agreement

Through these policies, landlords may bring claims to recover costs for damage which otherwise, in absence of a renters insurance policy, would be the landlord's liability.

For example, because of unmaintained plumbing, a renter's unit is flooded by water, destroying the renter's belongings. The mandated renters insurance policy mitigates the landlord's liability for damage to the tenant's belongings. Ordinarily, if unit flooded due to negligent maintenance practices, the landlord would be liable for replacing the tenant's belongings, temporarily relocating the tenant during repairs, etc. The mandated renters insurance policy minimizes the landlord's liability for those costs. Thus, landlords may seek to compel tenants to choose higher-cost policies, with higher levels of coverage, to increase the landlord's benefit – at the tenant's cost. By compelling the tenant to name the landlord as a beneficiary, the landlord may make claims on the tenant's policy directly. In this example, the landlord may turn to the renters insurance policy to cover the cost of repair of pipes, flooring, and dry wall instead of using their own property insurance. This reduces the landlord's own insurance costs.

HB0564 prohibits landlords from taking advantage of tenants when renters insurance is required under the lease. MLA supports the bill's provisions (page 3:27-33) that prohibit lease clauses that require

tenants to purchase renters insurance from a particular insurer, which require the policy to include the landlord as beneficiary or additional insured, or that require any other specific requirements.

MLA supports the Sponsor's amendments.

MLA understands that the Sponsor seeks to strike the provisions of page 4:25-34. MLA is supportive of those changes.

Maryland tenants should be free to choose the types of coverage they want, from the insurers they want. **Maryland Legal Aid urges the Committee to issue a FAVORABLE WITH AMENDMENT report on House Bill 564.**

If you have any questions, please contact Joseph Loveless, Staff Attorney, (410) 925-8572, jloveless@mdl原因.org or Zafar Shah, Assistant Advocacy Director – Tenants' Right to Counsel Project, (443) 202-4478, zshah@mdl原因.org.



Tenants' Right to Counsel Project