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February 14, 2024

To: The Honorable Marc Korman
Chair, Environment and Transportation Committee

From: Kira Wilpone-Welborn, Assistant Attorney General
Consumer Protection Division

Re: House Bill 564 – Real Property - Residential Leases - Renter's Insurance Requirement
(OPPOSE)

The Consumer Protection Division of the Office of the Attorney General (the “Division”) opposes House Bill 564 sponsored by Delegates Taveras, Alston, Martinez, Simmons, Vogel, and Woods. Although renter’s insurance provides a valuable protection against loss and damage to a renter’s personal property, mandating insurance coverage, as House Bill 564 proposes, could make housing unaffordable for low-income renters and subject them to unfair, abusive, and deceptive trade practices.

First, although House Bill 564 would prohibit a lease agreement that requires a renter to purchase renter’s insurance from a specific insurer, identifies the landlord as a beneficiary, or meets other requirements unilaterally determined by the landlord, House Bill 564’s mandate that renters purchase renter’s insurance would place additional financial stress on financially vulnerable renters. Low-income renters continue to face difficulties finding affordable housing.¹ Mandating an additional fee in the form of renter’s insurance could further exacerbate housing unaffordability.

¹ See Joint Center for Housing Studies of Harvard University, “America’s Rental Housing 2024,” at 18-19 (“In total, [since 2012], the market lost 6,1 million units renting for less than \$1,000, the maximum amount affordable to a household earning \$40,000 per year.”).

Second, House Bill 564's requirement that a landlord purchase insurance on behalf of a renter who does not purchase insurance could unintentionally expose renters to unfair, abusive, and deceptive trade practices. At a minimum, a landlord purchasing insurance for a renter does not have the same incentive to secure the most affordable insurance, or the insurance that provides the best protection against loss and damages. As a result, renters who did not purchase insurance on their own could be saddled with expensive insurance that does not meet their needs. Additionally, allowing the landlord to pass on the insurance premiums to the renters when the insurance is unaffordable could result in non-payment of rent by renters, the misallocation of payments by the landlord and, ultimately, the threat of eviction.

Finally, House Bill 564 does not make clear what penalty or consequence there is if a landlord fails to obtain renter's insurance on behalf of renters who do not independently acquire their own insurance. If the uninsured renter suffered loss or damage to their personal property, House Bill 564 remains silent on the outcome.

Although protecting renters' personal property from unexpected loss and damage is a prudent goal, renters should not be forced into additional payments that could threaten their housing stability. For these reasons, the Division requests the Environment and Transportation Committee issue an unfavorable report.

Cc: The Honorable Deni Taveras, *et al.*
Members, Environment and Transportation Committee