

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 806 (Senators Zucker and Feldman)
Education, Energy, and the Environment

Economic Matters

Business Regulation – Licensed Home Improvement Contractors – Liability Insurance

This bill increases (from \$50,000 to \$500,000) the amount of general liability insurance that a licensed home improvement contractor (or an applicant for a home improvement contractor license) must maintain.

Fiscal Summary

State Effect: The bill does not materially affect Maryland Home Improvement Commission (MHIC) finances or operations.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: MHIC in the Maryland Department of Labor licenses and regulates home improvement contractors and salespersons, subject to specified requirements for licensure and ongoing licensee behavior. MHIC also administers a guaranty fund for the purpose of reimbursing homeowners for actual losses due to the errors and omissions of licensed contractors and their subcontractors, salespersons, and employees.

Chapter 429 of 2023 raised, from \$250,000 to \$1,000,000, the minimum level at which the MHIC must keep the Home Improvement Guaranty Fund. The Act also increased, from \$100,000 to \$250,000, the maximum possible amount that may be awarded by MHIC from the Home Improvement Guaranty Fund to all claimants for acts or omissions of

one contractor unless, after MHIC has paid out the \$250,000, the contractor reimburses \$250,000 to the fund.

Additional Comments: MHIC advises that, in practice, contractors' insurance policies are generally written for \$500,000 or \$1,000,000. According to MHIC, \$50,000 policies are not available.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 738 (Delegate Wims, *et al.*) - Economic Matters.

Information Source(s): Maryland Department of Labor; Maryland Insurance Administration; Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2024
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