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**TESTIMONY OF
THE
MARYLAND INSURANCE ADMINISTRATION
BEFORE THE
ENVIRONMENT AND TRANSPORTATION COMMITTEE**

MARCH 2, 2021

HOUSE BILL 1305 – CONDOMINIUMS – MANDATORY INSURANCE COVERAGE – ALTERATIONS

LETTER OF INFORMATION

Thank you for the opportunity to provide written comments regarding House Bill 1305. House Bill 1305 amends §11-114 of the Real Property Article to create a distinction between condominiums that are "attached or multifamily dwellings" and those units that are "detached".

House Bill 1305, as drafted, does not define the terms "attached" or "detached" dwelling units. Those terms are subject to varying definitions and the absence of a specific definition is likely to create confusion for owners of duplex townhomes, semi-detached units, or structures that may have multiple units, but are attached by non-structural connections.

Currently, the law requires the council of unit owners to maintain property insurance for the common elements and units, exclusive of betterments installed in units by the unit owners without distinguishing between the style of condominium. House Bill 1305 continues the current requirement that the council of unit owners maintain property insurance for the common elements and units if within an "attached or multifamily dwelling," but only requires the council of unit owners to maintain coverage for the common elements if the condominium consists of "detached units." A council of unit owners will not be required to maintain property insurance for structural components of the detached unit (roof, walls, systems, etc.).

Eliminating the legal requirement to maintain property insurance on the structural elements of a "detached unit" means that unit owners who wish (or are required) to have this insurance would need to obtain that specific coverage on their own. However, in those circumstances in which the council elects not to continue coverage for the structural elements of "detached units," the consumer condo owners may not realize the need to acquire this coverage absent notice. The

MIA believes that by eliminating this requirement without requiring some form of notice may result in some owners of "detached unit" condos failing to obtain this coverage by error. Other such condo owners may decline to purchase it. In both events, the owner may be unable to make structural repairs to their property due to being uninsured at the time of a loss either by choice or error, which could have adverse ramifications on the entire community and not just a specific unit owner.

Lastly, §11-114(d)(1) of House Bill 1305 provides for certain loss adjustments for "attached" units. The section outlines how the council of unit owners will adjust for loss involving "attached or multi-family dwelling units", and how insurance proceeds for such losses are to be made payable. House Bill 1305 bill does not include a provision detailing these requirements for losses involving "detached unit" condominiums, which the MIA recommends addressing to eliminate confusion for the council and owners of detached units.

While the MIA does not have a policy position on House Bill 1305, the MIA urges the Committee's thorough exploration of these issues in consideration of House Bill 1305.