



House Bill 1305 – Condominiums – Mandatory Insurance Coverage - Alterations

Position: Support

The Maryland REALTORS® supports HB 1305 which clarifies insurance coverage for condominium regimes used for single-family detached properties.

Typically, a single-family detached property would be organized under a homeowners association rather than a condominium regime. However, depending on the local zoning laws, a condominium regime may make more sense if the developer is building a small number of units on very small lots. The small lot size and small square footage of units are intended to make the units more affordable and provide some of the missing middle housing that is disappearing as home prices, land and construction costs increase.

Unlike Maryland's homeowners association law where the unit owners are responsible for their own home insurance, under Maryland condominium law, the condominium council of unit owners is responsible for insurance on both the common elements and the units themselves. For attached condominium units, this makes sense. Attached units share walls, ceilings and floors. That isn't true with detached condos and it can create three problems. First, because these developments are typically not more than a dozen units, when one property owner fails to pay their insurance, it can become a troubling expense for the other unit owners to bear. Second, when marketing these properties, which look like other single-family detached properties, buyers can be shocked at the large condo fee not understanding that the fee covers most of their unit's home insurance. If the buyer is visiting the property and the developer has an opportunity to explain that, that may not be a problem. But sometimes, buyers won't even visit. Thirdly, like normal homeowners who can price shop for home insurance and combine car insurance and other insurance products to lower costs, these detached condo owners are locked into a single insurance product for their home.

To address these problems, HB 1305 changes Maryland condominium law to require that the council of unit owners only provide insurance for common elements for single-family detached units like under the homeowner association act. Attached units would still need to meet the requirement to provide insurance covering both the unit and the common elements. Maryland REALTORS® believe this small change in law will help consumers better compare costs between like properties (single-family detached properties) and provide additional flexibility for developers considering small affordable projects like cottage clusters.

For these reasons, the REALTORS® recommend a favorable report and support amendments offered by the Community Associations Institute which to help clarify the intent of the bill.

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