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February 8, 2022

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Delegate Kumar P. Barve, Chair
Delegate Dana Stein, Vice Chair
Environment and Transportation Committee
Room 251, House Office Building
Annapolis, Maryland 21401

Re: House Bill 553
Condominiums – Mandatory Insurance Coverage -- Alterations
Hearing Date: February 15, 2022
Position: Support with Amendments

Dear Delegate Barve, Delegate Stein, and Environment and Transportation Committee Members:

This letter is submitted on behalf of the Maryland Legislative Action Committee (“MD-LAC”) of the Community Associations Institute (“CAI”). CAI represents individuals and professionals who reside in or work with community associations (condominiums, homeowners’ associations, and cooperatives) throughout the State of Maryland.

Presently the Maryland Condominium Act via §11-114 (a) (1) requires that all condominiums regardless of dwelling type (stacked units, side by side/townhouse-style units, and single-family units) include insurance for the units as originally conveyed by the developer. That provision requires associations to provide through its Master Policy:

(1) Property insurance on the common elements and units, exclusive of improvements and betterments installed in units by unit owners other than the developer, insuring against those of

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direct physical loss commonly insured against, in amounts determined by the council of unit owners but not less than any amounts specified in the declaration or bylaws;

With growing frequency, however, and because of the ever-increasing cost of land, developers building single-family-style homes who want to maximize density are forced to create condominium regimes given lot size restrictions (which can vary depending on the county and/or municipality). In such cases, current Condominium Act provisions still require the Association to insure these “single-family” style homes in the same way stacked or attached townhouse and duplex condominiums are insured – the units are to be insured *by the Association* absent any improvements and betterments installed by unit owners other than the developer. Unit owners may insure (but are not required to unless directed by individual bylaws) improvements and betterments they have made or may have acquired from a previous owner under a separate condominium unit owners’ (HO-6) policy .

HB553 seeks to carve out an exception to §11-114 (a) (1) that would shift insurance responsibilities to the owner of a detached “single-family” condominium unit with the exception of any common element associated with the home (and then the Association would insure only those components of the home deemed to be a common element). Maryland LAC supports this change, however, we believe that in order to fully accomplish this shift, amendments to §11-103 of the Condominium Act are also needed. To that end, we offer:

11-103(a)(4)(ii)(B)

(4) (i) A general description of the common elements together with a designation of those portions of the common elements that are limited common elements and the unit to which the use of each is restricted initially.

(ii) 1.A. This subparagraph applies to any condominium for which a declaration, bylaws, and plat are recorded in the land records of the county where the property is located on or after October 1, 2010.

B. This subparagraph does not apply to a condominium that is occupied and used solely for nonresidential purposes [, NOR DOES IT APPLY TO A DETACHED-STYLE CONDOMINIUM UNIT]

2. The description of the common elements shall include the following improvements to the extent that the improvements are shared by or serve more than one unit or serve any portion of the common elements:

- A. Roofs;*
- B. Foundations;*
- C. External and supporting walls;*
- D. Mechanical, electrical, and plumbing systems; and*
- E. Other structural elements.*

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By amending the representative sections of §11-114 as proposed in HB553 and clarifying §11-103, the responsibility to insure a single-family home within a condominium regime would fully be a homeowner responsibility in much the same way it would be had the developer been able to create a traditional single-family home/lot.

We are available to answer any questions the Committee Members may have. Please feel free to contact Lisa Harris Jones, lobbyist for the MD-LAC, at 410-366-1500, or by e-mail at lisa.jones@mdlobbyist.com, or Steven Randol, Chair of the MD-LAC, 410-279-8054, or by e-mail at srandol@pineorchard.com, or Robin C. Manougian, Member, of the MD-LAC, at 240-401-0855, or by e-mail at rmanougian@manougianinsurance.com.

Sincerely,

Robin C. Manougian

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