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

JANUARY 25, 2022

**HOUSE BILL 197 – COOPERATIVE HOUSING CORPORATIONS - PROPERTY INSURANCE DEDUCTIBLES -
MEMBER RESPONSIBILITY**

POSITION: LETTER OF INFORMATION

Thank you for the opportunity to provide written comments regarding House Bill (HB) 197. HB 197 will place a \$10,000 cap on the amount of master policy deductible expense (MPDE) a cooperative housing corporation's (co-op) governing body can bill a co-op member following a covered loss that originates in the co-op member's leased unit. This would mirror the cap currently provided under the Condominium Act to condo unit-owners.

The Maryland Insurance Administration (MIA) notes that, by inserting the \$10,000 MPDE cap into the statute, a co-op member may become legally liable for MPDE up to \$10,000 when the covered loss originates in their unit. Co-op owners can protect themselves against this liability by purchasing an insurance policy that provides liability coverage. The MIA notes that, while there are insurance policies widely available in the market designed specifically for condominium unit-owners, there are no policy contracts available that we are aware of designed specifically for a co-op member. Co-op members can purchase a homeowner's policy, renter's policy or unit-owner's (condo) policy depending upon the eligibility requirements of the issuing insurer.

The passage of HB 197 will limit the exposure of an insurer that issues a policy to a co-op member to \$10,000 of MPDE when a loss covered by the master policy originates in the member's leased unit. HB 197 requires that the co-op's governing body treat MPDE above \$10,000 as a common expense of the co-op. HB 197, if enacted, will put co-op members in the same position as condo unit-owners with respect to liability for MPDE.