

**Testimony of
American Property Casualty Insurance Association (APCIA)**

Judicial Proceedings Committee

**Senate Bill 52- Real Property – Satisfaction of a Mortgage – Required Homeowner’s
Insurance**

January 26, 2022

The American Property Casualty Insurance Association (APCIA) is a national trade organization representing nearly 60 percent of the U.S. property casualty insurance market. APCIA appreciates the opportunity to provide written comments in response to Senate Bill 52. APCIA offers language to amend the proposed requirement that an owner of residential property, not subject to a mortgage, maintain homeowner’s insurance coverage of at least \$100,000 in bodily or personal injury coverage.

APCIA believes that SB 52 directly impacts the important role of financial responsibility in the residential property market, and while mandated insurance coverage offers a direct route to covering against potential loss, we believe that greater flexibility in providing proof of financial responsibility by property owners will be beneficial to the people of Maryland. Providing flexibility in securing loans for property will serve to protect the property and rental markets in Maryland to the benefit of lenders, renters, and property owners.

Insurance requirements for real property related loans are typically included to protect lenders against loss to a structure, personal property, loss of rental income, or liability associated with damages stemming from personal injury. Often these requirements are fulfilled through the purchase of homeowners insurance or a product known as a Dwelling Fire (DP-3) policy. DP-3 policies cover a property in a manner similar to a Homeowners policy and are well suited for residential property being rented to others. However, the DP-3 policy does not provide liability protection and thus, would require another policy or coverage on a different form to satisfy the requirements of this bill as drafted.

It is important to understand that alternative options are available to provide demonstration of financial responsibility as would be required by this bill. Making those options available will provide greater opportunity for owners of residential property to provide financial coverage, while still maintain coverage for bodily or personal injury. Accordingly: APCIA proposes that the language of SB52 be amended to:

- Require owners of residential real property that is not subject to a mortgage to maintain proof of financial responsibility for any liability arising out of the ownership of the property of at least \$100,000 for bodily or personal injury occurring on the property.
- To fulfill the requirement of demonstrating financial responsibility the owner may provide:
 - An insurance policy that provides liability coverage from a company licensed to do business in the state of Maryland
 - A real estate bond for at least \$100,000 from a company licensed to do business in the state of Maryland
 - A surety bond for at \$100,000 from a company licensed to do business in the state of Maryland.
 - A \$100,000 cash deposit with the state assessors office appropriate to the location of the property

APCIA believes that while purchasing a homeowner's insurance or similar insurance products, will likely be the default choice of property owners to fulfil the requirements created by this proposal, providing alternative options for consumers will serve to provide greater flexibility and in doing so help to preserve the integrity of the residential property and rental market.

While APCIA must oppose this bill as written, we encourage the committee to adopt the language provided here and allow APCIA to support SB52 as amended.

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Alternative Language to SB 52 Proposed by the American Property Casualty Insurance Association.

March 26, 2021

AN OWNER OF RESIDENTIAL REAL PROPERTY IN THE STATE THAT IS NOT SUBJECT TO A MORTGAGE ~~SHALL~~ MUST MAINTAIN PROOF OF FINANCIAL RESPONSIBILITY FOR ANY LIABILITY ARISING OUT OF THE OWNERSHIP OF THE PROPERTY OF AT LEAST \$100,000 FOR BODILY OR PERSONAL INJURY OCCURRING ON THE PROPERTY.

THE FINANCIAL RESPONSIBILITY REQUIREMENT CAN BE MET BY:

- 1) AN INSURANCE POLICY THAT PROVIDES LIABILITY COVERAGE FROM A COMPANY LICENSED TO DO BUSINESS IN MARYLAND
- 2) A REAL ESTATE BOND FOR AT LEAST \$100,000 FROM A COMPANY LICENSED TO DO BUSINESS IN MARYLAND
- 3) A SURETY BOND FOR AT LEAST \$100,000 FROM A COMPANY LICENSED TO DO BUSINESS IN MARYLAND
- 4) A \$100,000 CASH DEPOSIT WITH THE STATE ASSESSORS OFFICE APPROPRIATE TO THE LOCATION OF THE PROPERTY

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2021.