

MBIA Letter of Support SB806.pdf

Uploaded by: Lori Graf

Position: FAV

March 6, 2024

The Honorable Brian Feldman
Chairman, Senate Education, Energy, and the Environment Committee
2 West Miller Senate Office Building
Annapolis, Maryland 21401

RE: MBIA Letter of Support SB 806 Business Regulation – Licensed Home Improvement Contractors Liability Insurance

Dear Chairman Feldman,

The Maryland Building Industry Association, representing 100,000 employees statewide, appreciates the opportunity to participate in the discussion surrounding **SB806 Business Regulation – Licensed Home Improvement Contractors Liability Insurance**. MBIA **supports** the Act in its current version.

This bill increases the minimum amount of general liability insurance that home improvement contractors must maintain from \$50,000 to \$500,000. We believe this increase will improve confidence in our industry and reduce the risk of financial losses for both consumers and contractors. Adequate insurance coverage can help mitigate the financial risks associated with potential accidents, property damage, or other liabilities on job sites. In the event of a claim or lawsuit, contractors with higher insurance coverage are better positioned to handle the costs without facing financial ruin, which ultimately benefits the stability of our industry.

For these reasons, MBIA respectfully urges the Committee to give this measure **a favorable** report. Thank you for your consideration.

For more information about this position, please contact Lori Graf at 410-800-7327 or lgraf@marylandbuilders.org.

cc: Members of the Senate Education, Energy, and the Environment Committee

SB806_Zucker_FAV.pdf

Uploaded by: Senator Craig Zucker

Position: FAV

CRAIG J. ZUCKER
Legislative District 14
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Budget and Taxation Committee
Chair, Capital Budget Subcommittee

Chair, Senate Democratic Caucus



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Testimony of Senator Craig J. Zucker
Senate Bill 806 – Business Regulation – Licensed Home Improvement Contractors –
Liability Insurance
Education, Energy and the Environment Committee
March 7th, 2024
1:00PM
Position: Favorable

Good afternoon, Chair Feldman, Vice Chair Kagan, and distinguished members of the committee. It is my pleasure to testify today in support of **Senate Bill 806- Business Regulation – Licensed Home Improvement Contractors – Liability Insurance.**

The Maryland Home Improvement Commission (MHIC), a division within the Maryland Department of Labor, is responsible for licensing and overseeing home improvement contractors and salespersons. Additionally, MHIC manages a guaranty fund designed to compensate homeowners for real financial losses resulting from mistakes or oversights by licensed contractors and their subcontractors, salespersons, and employees.

Under current law, home improvement contractors (or an applicant for a home improvement contractor license) are required to maintain a general liability insurance policy with a minimum coverage of \$50,000 – an amount that is likely insufficient to cover restitution should damage occur to a homeowner residence. In the event that a claim is filed, and it exceeds the \$50,000 in damages, homeowners may go to court and file a lawsuit against the contractor or file a complaint against the contractor at the MHIC and seek restitution from the Guaranty Fund.

Senate Bill 806 would increase the minimum coverage amount from \$50,000 to \$500,000. By ensuring that contractors have sufficient insurance coverage, Senate Bill 806 would make certain greater financial protections for homeowners and contractors alike, as well as help to mitigate legal risks. MHIC has also noted that, in practice, contractors' insurance policies are generally written for \$500,000 or \$1,000,000. According to MHIC, \$50,000 policies are not available.

Senate Bill 806 will help protect homeowners and licensed home improvement contractors across Maryland. For these reasons, **I urge a favorable report on Senate Bill 806.** Thank you for your kind consideration.

Senate Bill 0806 testimony Feb 2024.pdf

Uploaded by: Steve Klitsch

Position: FAV

Senate Bill 0806

Education, Energy and the Environment Committee

Hearing Date: March 7, 2024, 1 PM

Testimony from Steve Klitsch, Licensed Home Improvement Contractor, MHIC 88329

The Maryland Home Improvement Commission (MHIC) was established in 1963 by legislation generated in Annapolis. Under the existing Maryland Home Improvement Licensing Law legal paragraph “8-302.1 (b) Licensed Contractor. – a licensed contractor shall maintain general liability insurance in the amount of at least \$50,000.00.” In 1963 the median price for a residence in Maryland was estimated to be about \$18,400.00. Recently, the Maryland Department of Assessments and Taxation published that residential property values have increased 25.6% since January 2021. Today, the average median price of a home in Maryland is \$408,000.00.

Ask yourselves this question. Does it make sense for me to hire a licensed contractor who does not have enough insurance to cover the cost to replace my home? Most insurance underwriters in Maryland will not write liability insurance for less the \$500,000.00. Of the insurance carriers I interviewed by telephone, said they strongly encourage the contractor to purchase \$1,000,000.00 of liability insurance and they discourage anything less. However, some policies are written for less.

Dave Finneran, Executive Director of the MHIC shared with me on Feb 6, 2024, that every two years contractor licenses are up for renewal. In the renewal process, the contractor is to provide the MHIC a certificate of insurance. Mr. Finneran further explained that the minimum liability insurance certificate he sees for license renewal is \$500,000.00 and the majority of liability certificates he receives are for \$1,000,000.00 or more.

Today, a \$50,000.00 liability policy, under the law, will likely not cover restitution should damage occur to a homeowner residence. If a claim is filed and it exhausts the \$50,000 and more funds are required to cover damages, the homeowners’ next step is to go to court and file a lawsuit against the contractor and try to attach whatever assets they have. Another option for the homeowner is to file a complaint against the contractor at the MHIC and seek restitution from the Guaranty Fund. This puts a burden on the resources of the MHIC. The burden to the MHIC is involved as; investigators gather evidence, a hearing is conducted, and a cash award is offered to the homeowner from the Guaranty Fund. This is a burden of manpower and money that could be utilized in other ways.

The annual premium for liability insurance cost to the contractor for a \$500,000 policy is averaged about \$700.00. My liability insurance premium for my \$1,000,000.00 policy last year cost \$821.00. The cost of the insurance is a business expense to the contractor, however it is not a heavy burden to the small business person in the home improvement industry in Maryland.

Senate Bill 0806 is a consumer bill to protect the homeowner against liability issues from home improvement contractor. As a home improvement contractor serving Maryland homeowners since 1979, it is time to change this 61-year-old statute. Please increase the minimum liability insurance requirement to \$500,000.00. I am in favor of House Bill 738.

Respectfully,

Steve Klitsch

MHIC 88329