



Insurance Agents
& Brokers

February 28, 2024

The Honorable William C. Smith, Jr.
Chair, Senate Judicial Proceedings Committee
2 East, Miller Senate Office Building
Annapolis, MD 21401

RE: Senate Bill 1015 – Detached Condominium Units – Support With Amendments

Dear Chair Smith and members of the Senate Judicial Proceedings Committee,

I am writing on behalf of the Maryland Association of Insurance Agents & Brokers (IA&B), a trade association comprised of nearly 200 independent agencies, employing approximately 1,800 licensed Maryland insurance producers, which are located in and doing business throughout the Maryland and the surrounding states.

Independent insurance agents play a crucial role in securing competitive insurance options for condominium associations and individual condominium unit owners. Our members are not restricted to providing rates through a single carrier, and therefore are uniquely well-equipped to understand trends and standards across the entire insurance industry.

Prior to the passage of House Bill 98 last year, insurance agents writing a condominium policy for an individual unit owner could reliably know that the condominium association was required to provide coverage for the unit, minus improvements and betterments installed by the unit owner. Across the insurance industry, all standard forms and policy language for condo unit policies have been carefully constructed for decades with this underlying premise in mind.

The levels and types of coverages provided by condo unit policies (HO-6) are designed to work tongue in groove with a master condo association policy that covers the unit, while your typical homeowners' insurance policy (HO-3, HO-5) is not designed for a condo regime. This system works well, so long as all condo association master policies include coverage on the units, as was the case in Maryland until last year.

However, with the passage of House Bill 98, condominium associations are no longer required to provide coverage on certain detached units. Without significant modification of the policy language on a case-by-case basis, using endorsements or modifications that are not typically included (and may not be available as an option), any HO-6, HO-3, or HO-5 policy will result in insufficient coverage if the master policy does not cover the units, resulting in unpaid claims in the event of a loss.

Senate Bill 1015 is an improvement over House Bill 98 insofar as it limits this fundamental insurance issue to a smaller subset of all-detached condominium associations, but it does not resolve it.



To further complicate things, neither insurance agents nor insurers themselves are equipped with the information necessary to determine whether a condominium development is comprised entirely of similar detached units. The agent who writes a policy for an individual unit owner is unlikely to be the same agent writing a policy for the master association, and such information is unlikely to be provided by the unit owner.

Based on our member experiences, it is a certainty that many units in all-detached condo developments will be insufficiently insured if the requirement to provide coverage on the units is not also applied to all-detached condominium associations. As currently written, Senate Bill 1015 does not resolve this issue, and, in some ways, complicates it further. In order to properly insure any condominium unit within the state of Maryland, agents would not only need to determine whether the unit they are seeking to insure is detached, but would also need to determine whether every other unit within the entire condominium association is similarly detached.

Accordingly, we believe the best approach to the situation is to re-adopt the longstanding coverage model for condominiums that existed in Maryland prior to the passage of House Bill 98, requiring all condominium associations to once again provide coverage on the common elements and units, regardless of whether the association is entirely comprised of similar detached units.

This would have the added benefit of reducing costs for the individual unit owners in these associations, as it is far less costly for a condominium association to take out a single policy covering all units than it is to require each unit owner to obtain a full homeowners' policy on their individual unit.

To that end, we respectfully urge the committee to amend Senate Bill 1015 to return 11-114 to the pre-House Bill 98 language.

Sincerely,

Johnathan Savant
Government Affairs Director