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February 13, 2024

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Senator William C. Smith, Chair  
Senator Jeff Waldstreicher, Vice Chair  
2 East Miller Senate Office Building  
11 Bladen Street  
Annapolis, MD 21401

**RE: Senate Bill 1015**  
**Condominiums – Mandatory Insurance Coverage – Detached Units**  
**Hearing Date: February 29, 2024**  
**Position: Support**

Dear Chair Smith, Co-Chair Waldstreicher, and Members of the Judicial Proceedings Committee:

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.

Over the past several legislative sessions, MD-LAC supported a bill that would allow condominium associations with detached units (also known as single family or cottage homes – units not connected to any other dwelling) to transfer the responsibility of insuring those units against property loss to the unit owner. The origin of the bill was a developer(s) who wanted to build detached homes close to one another to create density (which also forced the creation of a condominium regime, but moreover, insurance subject to §11-114 (4) (g) of the Maryland Condominium Act, which requires that the condominium insure the common elements and units absent improvements and betterments installed by unit owners). The 2023 bill was known as House Bill (HB) 98, cross-filed with Senate Bill (SB) 403. The bills became law effective October 01, 2023.

Under the new law, while the detached units remain part of the condominium, subject to the General Liability, Directors and Officers Liability, Fidelity, and any other policies carried by the condominium (including property coverage for any common elements), owners are responsible for providing the

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property insurance on the entirety of the units for which they own, rather than being insured under a Master Policy. However, while allowing condominium associations with detached units to shift property insurance responsibility to unit owners may be a good idea for condominium associations comprised 100 percent of other similar detached units, when detached units are part of a larger association with mixed-style condominium units (garden/stacked-style, attached townhouse, and mid- and high-rise style units), the carve-out of detached units within these condominium developments can significantly complicate the income and budget process (including shared amenities and services), as well as the fulfillment of lending guidelines and obligations.

The Maryland Insurance Administration (MIA) issued on September 23, 2023, Bulletin 23-15 ([23-15-Obligation-of-Condominium-Owners-and-the-Council-of-Unit-Owners-of-a-Condominium-to-Purchase-Insurance.pdf \(maryland.gov\)](#)) which allows impacted associations to continue to insure within the Master Policy any detached units they may have. The bulletin was tremendously beneficial in helping impacted associations to avoid removal of detached units from the Master Policy if they were in the middle of a policy term or budget year. It also alleviated the burden of forcing a change that may not be in the best interest of the condominium. That said, the MIA's bulletin cannot be viewed as a long-term repair. Even if an association elects to maintain Property Coverage for its detached units under the Master Policy, the law presently requires owners of detached units to also carry insurance on the entirety of their units. The law, then, has created unintended additional expense to the owners of detached units along with a duplication (or possible exclusion) of coverage by two insurance carriers, which can be problematic when there is a casualty loss.

Senate Bill 1015 seeks to correct the current law's language by limiting the instances when an owner of a detached unit within a condominium is required to carry homeowners' insurance on the entirety of the unit to instead make the law applicable only to those associations that are comprised solely of similar detached units. Condominiums that include detached units within a condominium regime that also includes stacked/attached-style living would simply revert to prior law wherein the condominium association is required to insure the common elements and the units – including detached units – exclusive of improvements and betterments installed in the units by unit owners other than the developer. We ask, then, that the committee find in favor of SB1015 to correct by October 01, 2024, a law that inadvertently created more problems than it did solutions.

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](mailto:lisa.jones@mdlobbyist.com); Vicki Caine, Chair of the MD-LAC, 215-806-9143, or by e-mail at [mdlacchair1@gmail.com](mailto:mdlacchair1@gmail.com); Robin Manougian, Member, MD-LAC, at 240-401-0855, or by e-mail at [robin.manougian@baldwinriskpartners.com](mailto:robin.manougian@baldwinriskpartners.com), or Scott Silverman, Esq., Member, MD-LAC, at 410-707-6363, or by email at [ssilverman@schildlaw.com](mailto:ssilverman@schildlaw.com).

Sincerely,

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