

STATE FARM INSURANCE COMPANIES
House Bill 469 (Condominiums – Mandatory Insurance Coverage)
Position: Opposed

State Farm opposes House Bill 469 because it will unnecessarily increase the insurance premiums that unit owners must pay to insure their units and eliminate their ability to make coverage elections on their own behalf that match the risk they are looking to insure.

HB 469 will require many customers to be overinsured, paying higher premiums for insurance they don't want or need. It also reduces an insurer's ability to offer lower-limit, lower-premium options to consumers. A "one size fits all" insurance scheme is not appropriate in a market in which insurance needs are varied.

The bill would require high, mandatory minimum coverages that exceed the basic limits of a standard, unendorsed ISO HO-6 policy, contributing to the affordability issues already being experienced in the State. Further, the bill allows the condo association to require unit owners to maintain coverage amounts in excess of the already-high mandatory minimums in the bill.

Here are key differences between requirements of HB469 and the ISO HO6 form used by many insurers for condo insurance:

Coverage Area	HB469 Requirement	Standard ISO HO-6 Form (Basic/Typical)
Personal Liability	Minimum of \$500,000	Varies, often starts at \$100,000 or \$300,000; highly customizable. (State Farm also varies depending on customer request)
Loss Assessment	Minimum of \$25,000	Standard limit is typically \$1,000 , requires endorsement for higher limits.
Loss of Use (ALE)	Minimum of 12 months alternate housing	Typically, a percentage of Coverage C (Personal Property); duration not explicitly guaranteed.
Deductible Coverage	Must cover the Council of Unit Owners' property insurance deductible	Requires specific loss assessment coverage (often \$1k limit) to cover the <i>owner's share</i> of the master

If HB469 becomes law, State Farm will no longer be able to offer the same condo unit owners policy in Maryland that we offer in other states. Creating state exceptions increases costs because it will require updating of systems and processes to offer a state-specific product. This inconsistency may also cause some insurers to leave the condo insurance market or prevent new or smaller insurers from entering that market, thus reducing competition and creating availability issues

Further, the requirement that condo associations “force-place” an insurance policy on any unit owner that does not comply with the insurance requirement will inevitably result in an increase in inquiries and complaints to the insurance company from unit owners who are unhappy with having been forced to pay for a policy that they do not want. This will also add to the increased administrative costs and risk to insurers that will result from this bill.

Lastly, the effective date of October 1, 2026 in the bill is unworkable. HB 469 would require insurers to rewrite their policy forms and file them for approval with the Maryland Insurance Administration, send notices of change in terms to customers, bill customers for the increase in premiums, create new rating structures, file for and receive approval of the new rates and update their systems and processes to accommodate what is essentially a new insurance product. Accordingly, State Farm requests a delayed effective date until at least January 1, 2028 to allow sufficient time to implement this legislation.