

Bryson F. Popham, P.A.

Bryson F. Popham, Esq.

191 Main Street
Suite 310
Annapolis, MD 21401
www.papalaw.com

410-268-6871 (Telephone)
443-458-0444 (Facsimile)

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The Honorable Marc Korman
Chair, Environment and Transportation Committee
Room 251. House Office Building
Annapolis, Maryland 21401

RE: House Bill 1227 - Condominiums - Mandatory Insurance Coverage - Detached Units
FAVORABLE WITH AMENDMENT

Dear Chairman Korman and Members of the Committee,

I represent the Maryland Association of Mutual Insurance Companies (MAMIC) and I also represent the Insurance Agents and Brokers of Maryland (IA&B). We respectfully request a favorable with amendments on this bill.

The position of both of my clients is to seek an addition to current notice requirements under the law for individual condominium unit owners. The passage in 2023 of House Bill 98, coupled with the introduction of House Bill 1227 this year, have brought to light an issue that should be addressed by providing certain additional information to all condominium unit owners.

Last year's legislation introduced a distinction in condominium regimes that may affect the respective obligations of condominium associations and individual unit owners to properly insure condominium buildings that are detached from any primary building for which a master condominium insurance policy is purchased by the condominium association. The question that has arisen is whether it is the obligation of the association, or of the individual unit owner, to provide insurance coverage on such "detached units."

Testimony on Senate Bill 1015 last week illustrated the problem. Individual unit owners testified that they had been advised to purchase individual homeowners policies on their detached units. In fact, as the Maryland Insurance Administration stated in Bulletin 23-15 (issued in September of 2023) it has "been informed that there are councils that intend to provide the mandated coverage to residential, detached units through a policy issued to the council."

Though not currently a statutory notice requirement by the condominium association, this information is vital to inform all individual unit owners of any obligation of an owner of a detached unit to procure such insurance coverage themselves. We should add, for clarification purposes, that the insurance requirement under discussion is only for the building that constitutes a "detached unit". Condominium associations remain free to impose different and additional insurance requirements, such as liability insurance, on all unit owners.

An amendment to add this new notice requirement to the annual notice currently required of a condominium association is respectfully submitted with this testimony.

Very truly yours,



Bryson F. Popham

By: Delegate _____

AMENDMENT TO House Bill 1227
(First Reading File Copy)

Amendment No. 1:

On page 4, after line 18, add:

“AND

C. THE OBLIGATION OF AN OWNER OF A DETACHED UNIT, IF ANY, TO PROVIDE PROPERTY INSURANCE COVERAGE ON THAT UNIT.”

Rationale:

The amendment language adds this essential information to an annual notice from the condominium association to individual unit owners that is required under current law.

Following the passage of House Bill 98 in 2023, the Maryland Insurance Commissioner issued Bulletin 23-15 after consulting with a number of stakeholders on this issue. The Bulletin states “the Administration has been informed that there are councils that intend to provide the mandated coverage to residential, detached units through a policy issued to the council.”

Testimony at the hearing on the Senate crossfile (SB 1015) from individual unit owners demonstrated a lack of information about the scope of insurance requirements for such units. As coverage continues to evolve, the interaction between the scope of property insurance coverage carried by a condominium association and that required of individual unit owners has become difficult to ascertain. Purchasers and unit owners of detached units in a condominium that is not composed entirely of detached units need to know what insurance coverage is required of them.