



**Report on the Decreasing Availability of
Insurance Coverage for
Mobile/Manufactured Homes in Coastal Areas**

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Report on the Decreasing Availability of Insurance Coverage for Mobile/Manufactured Homes in Coastal Areas

I. Introduction

During the summer and fall of 2024, consumers and elected representatives from Worcester County contacted the Maryland Insurance Administration (the “MIA”) to express concern about the decreasing availability of insurance coverage for mobile/manufactured homes¹ in coastal areas. On October 23, 2024, the MIA held a public virtual hearing to gather information concerning the scope of this issue, factors contributing to it, and potential solutions. The MIA also solicited written comments on the issue.² This report provides an overview of considerations addressed at the hearing and in written comments, as well as responsive action that the MIA has taken.

II. Considerations Addressed at the Hearing and in Written Comments

Written and/or spoken comment on the issue discussed at the informational hearing was provided by:

- The Maryland Joint Insurance Administration (“MDJIA”);
- Del. Hartman and staff for Sen. Carozza (District 38C, Wicomico Co and Worcester Co);
- Ocean City Mayor, Richard Meehan;
- City Manager of Ocean City, Terry McGean;
- Private citizens affected by the issue;
- Consumer advocacy groups;
- Insurance producers and brokers;
- The American Property Casualty Insurance Association; and
- Windsor-Mount Joy Mutual Insurance Company (“Windsor-Mount Joy”).

¹ Within this report, the terms “mobile home” and “manufactured home” are used interchangeably. The year of construction is typically recognized as the distinguishing factor. A “mobile home” would have been constructed before June 15, 1976, which is when the U.S. Department of Housing and Urban Development (HUD) implemented national manufactured housing construction and safety standards and regulations known as the HUD Code. A “manufactured home” would have been constructed after this date and, in turn, subject to the HUD Code.

² The hearing notice, a recording of the hearing, and written comments submitted to the MIA concerning the issue discussed at the hearing can be accessed at: <https://insurance.maryland.gov/Consumer/Pages/MIA-Listens.aspx>.

The MDJIA is an unincorporated association of all insurers licensed to write essential property insurance in Maryland. It is established under Title 25, Subtitle 4 of the Insurance Article. The MDJIA's statutory purpose is to make essential property insurance available to individuals and business owners who are unable to obtain coverage for their dwellings or business properties through the voluntary market. Each MDJIA member shares in the MDJIA's expenses, profits, and losses in proportion to their share of aggregate written premium in the voluntary market. The MDJIA does not receive or contribute to state funds.

As of the hearing date, the MDJIA program rules required that a structure within the city limits of Ocean City be built in substantial compliance with the Southern Standard Building Code to be eligible for coverage through the program. During the hearing, Delegate Hartman pointed out that Ocean City adopted the International Building Code, in lieu of the Southern Standard Building Code, several years ago. He requested that the MDJIA program rules be updated to remove this requirement, thereby removing a potential barrier to coverage for otherwise eligible structures in Ocean City. The MDJIA indicated it would take prompt action to effectuate this update.

During the hearing, the MDJIA shared information about its coverage options for mobile/manufactured homes, including those located in Worcester County and other coastal areas of the state. Like residual market mechanisms in most other states, the MDJIA does not write homeowners policies for mobile/manufactured homes.³ The MDJIA does write Dwelling Fire Form 1 ("DP1") policies for these homes. As of the hearing date, the MDJIA wrote 21 mobile/manufactured homes in Berlin and 11 in Ocean City. For both homeowners and DP1 policies issued by the MDJIA, the dwelling coverage limit (the maximum amount that will be paid to repair damage to the structure of the home due to a covered event) is \$455,000 and the contents coverage limit (the maximum amount that will be paid to repair or replace personal property inside the dwelling that was damaged due to a covered event) is \$228,000.⁴ A DP1 policy is written on a named perils basis, meaning damage to the home is only covered if it was caused by an incident listed in the policy. Claims under a DP1 policy are paid on an actual cash value basis, which factors in depreciation, rather than replacement cost basis.

Unlike site-built homes, which tend to appreciate in value over time, mobile/manufactured homes tend to depreciate (although the value of the land to which a mobile/manufactured home is affixed usually appreciates). In many cases, the fully depreciated value (i.e., actual cash value) of an older mobile/manufactured home is significantly lower than the estimated cost to rebuild or replace it with similar materials at current prices (i.e., replacement cost value). In a comment letter, Delegate Hartman stated that, without adequate insurance coverage, "the owners of these mobile and manufactured homes are at risk of losing most or all of their home's equity."

³ Due to their unique construction and vulnerability to certain weather events, such as windstorms, mobile/manufactured homes do not qualify for traditional homeowners insurance from most carriers on the voluntary market either.

⁴ Additional information about the types of essential property insurance coverage available through the MDJIA can be accessed on its website at: <https://www.mdjia.org/policies>.

During the hearing, Delegate Hartman, Mayor Meehan, and private citizens expressed concern that property values in Ocean City mobile/manufactured home communities may decline if replacement cost value coverage is not available. Mayor Meehan relayed the experience of a constituent who faced difficulty selling a mobile/manufactured home in Montego Bay because prospective buyers were unable to obtain replacement cost coverage, which most lenders require to qualify for a mortgage. When the pool of prospective buyers is limited to those who can pay cash, the value of the home may be compromised. In a comment letter, a private citizen who owns a 1981 mobile/manufactured home and the land in Montego Bay to which it is attached stated that she cannot obtain homeowners insurance due to the age of the home. She went on to indicate that the Department of Assessments and Taxation may not fully consider the impact of limited insurance availability on property values when assessing taxes for mobile/manufactured homes in Montego Bay.⁵

Brokers and producers reported that they are only aware of one admitted carrier that will write a new homeowners policy for a mobile/manufactured home located in Worcester County, and only if the home is less than 25 years old.⁶ They also reported that it has become increasingly difficult to find coverage for mobile/manufactured homes in Worcester County on the surplus lines market, and that surplus lines carriers are generally unwilling to write those that are more than 25 years old or located on a canal. Brokers and producers further indicated that mobile/manufactured home communities in coastal areas of Virginia and Delaware are also facing a decline in insurance availability.

One producer mentioned that loss ratios for the homeowners market in Ocean City are lower than in certain further inland areas of the Eastern Shore. Mayor Meehan suggested that insurers may overinflate flood risks in Ocean City and fail to adequately consider storm surge hardening measures that have been implemented, including a boardwalk seawall and enhanced dune system. Mr. McGean commented that Ocean City has adopted building codes and zoning restrictions (such as oceanfront setbacks, minimum building elevations, foundation standards and structural requirements) that are stricter than the minimum requirements established by the Federal Emergency Management Agency (“FEMA”).

Windsor-Mount Joy submitted a comment letter discussing factors that may be contributing to the decline in insurance availability for mobile/manufactured homes in coastal areas. Windsor-Mount Joy highlighted the fact that mobile/manufactured homes are not subject to the same building codes as site-built homes. Rather, they must be constructed in accordance with standards established by the U.S. Department of Housing and Urban Development (the “HUD Code”).⁷ Federal law makes it clear that construction and safety standards set forth in the HUD Code

⁵ Md. Code Ann., Tax-Prop. § 8-234 provides that a mobile/manufactured home shall be assessed to the owner of the land on which the mobile/manufactured home is located on the same basis as improvements to real property if it: (1) is used or can be used for residential purposes; (2) is permanently attached to land or connected to utility, water, or sewage facilities; (3) is not unoccupied and for sale; and (4) is not located temporarily in a rented space in a trailer park or mobile/manufactured home court.

⁶ The MIA confirmed that, as of the hearing date and based on the information available, this statement was accurate.

⁷ As an attachment to its comment letter, Windsor-Mount Joy submitted “The Evolution of the HUD Code,” which can be accessed at: <https://www.hud.gov/sites/dfiles/PA/documents/The-Evolution-of-the-HUD-Code.pdf>.

preempt state or municipal building codes, but that each state has the right to establish standards for the stabilizing and support systems of mobile/manufactured homes sited within that state.⁸

Windsor-Mount Joy noted that many mobile/manufactured homes are modified with carports, porches, and other additions that significantly increase structural vulnerability to high winds and other severe weather events. Windsor-Mount Joy pointed to the cost of catastrophe reinsurance, which carriers purchase to ensure solvency, as a primary factor that may deter carriers from writing mobile/manufactured homes in coastal areas. Catastrophe models are used to analyze an insurer's portfolio of risks for the purpose of determining the amount of catastrophe reinsurance it needs to purchase. Reinsurers also use this information to determine the cost of reinsurance. Catastrophe models take into account the location, type of construction, age, building codes, values, concentration of insured risks, and the likelihood of a specific peril impacting the portfolio.

In a comment letter, Deeley Insurance Group summarized the reason they believe that most insurers are unwilling to offer replacement value coverage for older mobile/manufactured homes in Worcester County as follows:

The morale hazard that exists for a replacement cost option on what is a severely depreciated asset is something Underwriters have not been able to overcome. Based on the replacement cost tools we have utilized, the structures on these properties have exceeded their useful life. It's as if we have a 1975 pick-up truck and we are asking the carrier to replace it with a 2024 model. The value of these real estate transactions are almost exclusively in the land cost.

III. Follow Up Action

On December 17, 2024, the MDJIA Governing Committee voted to amend its program rules to remove the requirement that a structure located within the city limits of Ocean City be built in substantial compliance with the Southern Standard Building Code to be eligible for coverage through the program. Immediately following this vote, the MDJIA submitted the amendment to its program rules to the MIA for approval, as required by § 25-405(c)(1) of the Insurance Article. The MIA approved the amendment with an effective date of December 31, 2024, as proposed by the MDJIA. The MDJIA has acknowledged that the recent change to its program rules may result in an increase in its mobile/manufactured home business, and expressed that it would welcome and be prepared to handle any such increase.

At a meeting of the Property and Casualty Committee of the National Association of Insurance Commissioners (the "NAIC") on November 8, 2024, MIA staff asked insurance regulators from other states if they are aware of any insurance products that "fill the gap" between actual cash value coverage of a mobile/manufactured home under a DP1 policy and replacement cost coverage required by many mortgage lenders. Regulators responded that, although they are familiar with "difference in conditions" policies that provide coverage for specific perils not covered by a standard policy, they are not aware of any insurance products that can be combined

⁸ 42 U.S. Code § 5403(d).

with a DP1 policy to provide replacement cost coverage. Regulators noted that, if such a product were available, it would likely be very expensive.

The MIA asked NAIC staff if they could provide information concerning policy interventions implemented in other states to address limited insurance availability for mobile/manufactured homes in coastal areas. In response, NAIC staff shared information about Florida's Mobile Home Tie-Down Program, which provides funding to retrofit tie-downs and anchoring systems for mobile/manufactured homes installed in 1999 and earlier. The purpose of the program is to make older mobile/manufactured homes more wind resistant, thereby minimizing damage to these homes resulting from windstorms, tornadoes or hurricanes.⁹

The MIA is issuing a Consumer Advisory concurrently with this report that provides recommendations for residents of Worcester County and other coastal areas of the state who are experiencing difficulty in finding insurance coverage for their mobile/manufactured homes.¹⁰ The Consumer Advisory includes basic information concerning policies that are available through the MDJIA when coverage cannot be obtained on the voluntary market. The Consumer Advisory also includes a hyperlink to a FAQ document previously issued by the MIA that provides additional information about insurance coverage for mobile/manufactured homes.¹¹

The MDJIA's Underwriting Committee and Governance Committee has been briefed on and considered the issue discussed at the hearing. The MDJIA will continue to gather information on the issue and consider whether it can offer additional coverage for mobile/manufactured homes. The MIA is committed to working with the Maryland General Assembly, MDJIA, and other stakeholders to explore possible policy solutions to this issue, and will continue to serve as a resource to consumers who need assistance understanding insurance coverage options. The MIA will also continue to assess the availability and affordability of coverage in Maryland's homeowners insurance market more broadly. The MIA recently published a report summarizing the results of an industry survey evaluating the extent to which it has become more difficult for consumers to obtain coverage on properties of varying characteristics and types.¹²

⁹ Information about Florida's Mobile Home Tie-Down Program is available at: <https://www.gulfcoast.edu/tiedownprogram/index.html>.

¹⁰ The Consumer Advisory can be accessed at: <https://insurance.maryland.gov/Consumer/Documents/publications/ConsumerAdvisory-Coverage-for-Mobile-Homes-and-Modular-Homes-in-Coastal-Areas.pdf>.

¹¹ The FAQ can be accessed at: <https://insurance.maryland.gov/Consumer/Documents/publicnew/FAQ-Modified-Coverage-Mobile-Modular-Home.pdf>.

¹² The MIA published the *Market Hardening Survey Report - Homeowners Insurance Market in Maryland* in November of 2024. The report can be accessed at: <https://insurance.maryland.gov/Consumer/Appeals%20and%20Grievances%20Reports/Market-Hardening-Survey-Report-Homeowners-Insurance-Market-in-MD.pdf>.