



August 29, 2024

**SENT VIA EMAIL**

Bill Fawcett  
Maryland Insurance Administration  
200 St. Paul Place, Suite 2700  
Baltimore, Maryland 21202

Dear Bill,

**RE: MANDATORY INSURANCE COVERAGE FOR DETACHED CONDOMINIUM UNITS – PROPOSED BULLETIN**

On behalf of the Insurance Agents & Brokers of Maryland (IA&B), thank you for the opportunity to review and provide comments on the draft bulletin concerning mandatory insurance coverage for detached condominium units. Alongside this letter, I have also included a markup of the bulletin itself, which contains suggested edits to the bulletin summarized below, as well as a few more minor grammatical changes.

**ADDITION OF AN “IN A NUTSHELL” PARAGRAPH**

A summary paragraph in simple terms may help that part of the intended audience less familiar with insurance (namely detached condo owners, and some condo association representatives) to have an overview of the purpose of the bulletin. Suggested language is provided in the markup for your review.

**USE OF THE TERM “HOMEOWNERS INSURANCE”**

Because the terminology "homeowners insurance" used in the bill could cause more confusion for unit owners, we would suggest adding a note that a homeowners policy (HO-6) covers items not covered by the council's policy: improvements and betterments, personal property, liability, et al.

**DESCRIPTION OF PRIOR REQUIREMENTS UNDER THE LAW**

We recommend the following edits to the bolded summary of HB 1227 on page 2 (our additions are underlined):

The law supplants the prior requirement stemming from HB 98 of 2023 that the owner of any detached unit located within any condominium carry homeowners insurance on the entirety of the unit. It instead requires that the owner of a detached unit located within a condominium composed entirely of similar detached units carry homeowners insurance coverage on the entirety of the unit, unless the council of unit owners has opted to maintain this coverage.

**IMPROVED GUIDANCE FOR NOTICES TO DETACHED UNIT OWNERS**

In order to have consistency and clarity in the marketplace, we would suggest that the MIA provide additional guidance to councils of unit owners on the specific information that the notification should include to ensure all parties have the needed information to understand the unit owner's insurance obligations. Such notification from the council to its unit owners should:

1. Reference the applicable state statute (Section 11-114);
2. Include contact information for inquiries regarding the council of unit owners' insurance policy;
3. State the unit owner's responsibility for the council of unit owners' property insurance deductible under subsection (g)(2)(iii)1, and include the amount of the deductible;
4. State whether the unit owner is required to obtain homeowners' coverage for the entirety of the unit;



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5. If the unit owner is not obligated to obtain coverage, state that they may, but are not required to, carry homeowners coverage to insure items not covered by the council's policy: improvements and betterments, personal property, liability, et al.
6. If the unit owner is obligated to obtain coverage, state that failure to obtain this mandatory coverage could result in uninsured losses; and
7. Recommend that the unit owner provide this notice to the unit owners' insurance provider.

Thank you for the opportunity to provide these comments. If you have any questions, please do not hesitate to reach out.

Sincerely,

Johnathan Savant  
Government Affairs Director

WES MOORE  
Governor

ARUNA MILLER  
Lt. Governor



JOY Y. HATCHETTE  
Acting Commissioner

WILLIAM FAWCETT  
Associate Commissioner  
Property & Casualty Insurance

200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202

Direct Dial: (410) 468-2353

[william.fawcett@maryland.gov](mailto:william.fawcett@maryland.gov)

1-800-492-6116 TTY: 1-800-735-2258

[www.insurance.maryland.gov](http://www.insurance.maryland.gov)

## BULLETIN 24-xx

DATE: [Insert Date]

TO: Property and Casualty Insurance Carriers and Producers, Detached Condominium Owners, and Councils of Unit Owners for Condominiums with Detached Units

RE: Mandatory Insurance Coverage for Detached Condominium Units


**The Maryland Insurance Administration seeks your comments concerning the below draft bulletin. Please submit comments to the Associate Commissioner for Property & Casualty Insurance, William Fawcett, at [william.fawcett@maryland.gov](mailto:william.fawcett@maryland.gov) by August 31, 2024.**

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The Maryland Insurance Administration (the “Administration”) is issuing this Bulletin to provide notice that 2024 Maryland Laws Ch. 296 (House Bill 1227 from the 2024 Legislative Session),<sup>1</sup> which alters the types of elements and units for which a council of unit owners is required to maintain certain property insurance and limits instances when an owner of a unit within a condominium is required to carry homeowners insurance on the entirety of the unit, will become effective on October 1, 2024. The law amends Section 11-114 of the Real Property Article<sup>2</sup> as described below. Please note that this Bulletin supersedes [Bulletin 23-15](#).

See suggested edi 

**Effective 10/01/24**, Section 11-114(a) requires the council of unit owners to maintain property insurance against risks of direct physical loss commonly insured against in amounts determined by the council of unit owners, but not less than any amounts specified in the declaration or bylaws:

- For detached units located within a condominium not composed entirely of similar detached units - on the common elements and units, exclusive of improvements and betterments installed in units by unit owners other than the developer; and 
- For detached units located within a condominium composed entirely of similar detached units - on the common elements only.

<sup>1</sup> House Bill 1227 can be accessed at <https://mgaleg.maryland.gov/mgawebsite/Legislation/Details/HB1227>.

<sup>2</sup> Statutory provisions referenced in this Bulletin are within the Real Property Article of the Annotated Code of Maryland.

Section 11-114(e)(2)-(3) clarifies that, for a condominium composed entirely of similar detached units:

- The council of unit owners may, but is not required to, carry homeowners insurance on the entirety of all detached units; and
- If the council of unit owners does not voluntarily carry homeowners insurance on the entirety of all detached units, the unit owners must carry homeowners insurance on the entirety of their respective units.



**The law supplants the prior requirement that the owner of any **detached** unit located within any condominium carry homeowners insurance on the entirety of the unit. It instead requires that the owner of a detached unit located within a condominium composed entirely of similar detached units carry homeowners insurance coverage on the entirety of the unit, unless the council of unit owners has opted to maintain this coverage.**

Section 11-114(b)(2) requires the council of unit owners to give an owner of a residential, detached unit an annual written notice of any obligation the owner has to obtain property insurance coverage on the unit. If there is a change in any such obligation, the council of unit owners must promptly give the unit owner an updated notice.



Section 11-114(d)(3) sets forth the following requirements pertaining to the distribution of insurance proceeds for a loss covered under an insurance policy that the council of unit owners for a condominium with detached units that is not composed entirely of similar detached units is required to maintain pursuant to Section 11-114(a):

- Subject to Section 11-114(g), proceeds shall be disbursed first for the repair or restoration of the damaged common elements and the damaged units.
- Unit owners and lien holders are not entitled to receive payment of any portion of the proceeds unless:
  - There is a surplus of proceeds after the common elements and the units have been completely repaired or restored; or
  - The condominium is terminated.

Additional information regarding homeowners insurance or condominium master policy coverage can be found on the Administration's website: [www.insurance.maryland.gov](http://www.insurance.maryland.gov).

Joy Y. Hatchette  
Acting Insurance Commissioner

By: **Signature on Original**  
William Fawcett  
Associate Commissioner  
Property & Casualty Insurance