

Chapter 491

(House Bill 557)

AN ACT concerning

Homeowner's Insurance – Underwriting Standards – Deductibles

FOR the purpose of authorizing an insurer to issue a policy of homeowner's insurance that includes a certain deductible, subject to certain limitations; authorizing the insurer to require a certain deductible in a policy of homeowner's insurance or to offer a certain deductible as an option; requiring an insurer that has adopted a certain underwriting standard to apply a certain deductible only during a certain period of time and regardless of where the insured's home is located in the State; repealing the requirement that an insurer that issues a policy of homeowner's insurance file with the Maryland Insurance Commissioner for approval a certain underwriting standard that requires a certain deductible under certain circumstances before the insurer may implement the underwriting standard; requiring an insurer that issues a policy of homeowner's insurance to file ~~for information~~ with the Commissioner a certain underwriting standard that requires a certain deductible under certain circumstances at least a certain period of time before the insurer proposes to implement the underwriting standard; altering the contents of a certain filing; repealing a provision of law that prohibits a certain underwriting standard from taking effect until a certain period of time has passed; repealing the authority of the Commissioner to take certain actions with regard to a certain underwriting standard during certain periods of time; repealing a provision of law that a certain filing is deemed approved unless disapproved by the Commissioner during certain periods of time; ~~authorizing an insurer to adopt a certain underwriting standard that requires a certain deductible under certain circumstances if the deductible applies only during a certain period of time and regardless of where the insured's home is located in the State;~~ altering certain requirements relating to an annual statement that must be provided to a policyholder; requiring a certain insurer, under certain circumstances, to provide an insured with a certain statement about a certain deductible at certain times; requiring a certain statement to include certain information; authorizing a certain example required to be included in a certain statement to be provided in a certain manner; authorizing a certain insurer to satisfy certain notice requirements in a certain manner; requiring an insurer to send a copy of a certain form to the Commissioner ~~for information~~ under certain circumstances; providing for the application of this Act; providing for a delayed effective date; and generally relating to underwriting standards and deductibles under homeowner's insurance.

BY repealing and reenacting, with amendments,
Article – Insurance
Section 19–209
Annotated Code of Maryland
(2011 Replacement Volume and 2015 Supplement)

BY adding to

Article – Insurance

Section 19–209.1

Annotated Code of Maryland

(2011 Replacement Volume and 2015 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Insurance

19–209.

(A) (1) SUBJECT TO SUBSECTIONS (B), (C), AND (D) OF THIS SECTION, AN INSURER MAY ISSUE A POLICY OF HOMEOWNER’S INSURANCE THAT INCLUDES A DEDUCTIBLE THAT IS EQUAL TO A PERCENTAGE OF THE “COVERAGE A – DWELLING LIMIT” OF THE POLICY.

(2) THE INSURER MAY:

(I) REQUIRE THE DEDUCTIBLE DESCRIBED IN PARAGRAPH (1) OF THIS SUBSECTION IN A POLICY OF THE HOMEOWNER’S INSURANCE; OR

(II) OFFER THE DEDUCTIBLE DESCRIBED IN PARAGRAPH (1) OF THIS SUBSECTION AS AN OPTION TO AN APPLICANT OR INSURED.

(B) AN INSURER THAT HAS ADOPTED AN UNDERWRITING STANDARD THAT REQUIRES A MANDATORY HURRICANE DEDUCTIBLE EQUAL TO A PERCENTAGE OF THE “COVERAGE A – DWELLING LIMIT” OF THE POLICY SHALL APPLY THE DEDUCTIBLE:

(1) ONLY BEGINNING AT THE TIME THE NATIONAL HURRICANE CENTER OF THE NATIONAL WEATHER SERVICE ISSUES A HURRICANE WARNING FOR ANY PART OF THE STATE AND ENDING 24 HOURS FOLLOWING THE TERMINATION OF THE LAST HURRICANE WARNING ISSUED FOR ANY PART OF THE STATE; AND

(2) REGARDLESS OF WHERE THE INSURED’S HOME IS LOCATED IN THE STATE.

~~(a)~~ **(C) (1)** An insurer that issues a policy of homeowner’s insurance may not adopt an underwriting standard that requires a deductible that exceeds 5% of the “Coverage A – Dwelling Limit” of the policy in the case of a hurricane [or other storm,] unless[:

(i) the insurer has filed the underwriting standard ~~for~~ [approval by] ~~INFORMATION WITH~~ the Commissioner[; and

(ii) the Commissioner has approved the underwriting standard in writing].

(2) The filing required by paragraph (1) of this subsection shall:

(i) be made at least 60 days before the insurer proposes to implement the underwriting standard in the State; and

(ii) include [any information required by the Commissioner, including]:

1. a copy of the underwriting standard the insurer [proposes] ~~INTENDS~~ to implement;

[2. the data relied on by the insurer in developing the underwriting standard;] and

[3.] 2. the date on which the insurer intends to implement the underwriting standard.

(3) [An underwriting standard subject to this subsection may not take effect until 60 days after it is filed with the Commissioner.

(4) During the initial 60-day waiting period, the Commissioner may extend the waiting period for an additional period, not to exceed 60 days, by written notice to the insurer that the Commissioner needs additional time for consideration of the filing.

(5) A filing is deemed approved unless disapproved by the Commissioner during the waiting period or any extension of the waiting period.

(6) If the Commissioner finds that compliance with paragraph (3) or (4) of this subsection would result in impairment of the insurer or a significant financial loss to the insurer, the Commissioner may allow an insurer to implement its underwriting standard establishing a deductible at the percentage indicated in the filing within 60 days after the filing of the underwriting standard.

(7) An underwriting standard subject to this subsection shall comply with all applicable laws.

~~(b) [If an insurer has adopted an underwriting standard that requires a deductible equal to a percentage of the “Coverage A – Dwelling Limit” of the policy in the case of a hurricane or other storm, the deductible may only be applicable] AN INSURER~~

~~MAY ADOPT AN UNDERWRITING STANDARD THAT REQUIRES A DEDUCTIBLE EQUAL TO A PERCENTAGE OF THE “COVERAGE A – DWELLING LIMIT” OF THE POLICY FOR DIRECT PHYSICAL LOSS CAUSED BY THE PERIL OF WINDSTORM OR HAIL DURING THE PERIOD OF A HURRICANE WARNING IF THE DEDUCTIBLE APPLIES;~~

~~(1) ONLY beginning at the time the National Hurricane Center of the National Weather Service issues a hurricane warning for any part of the State [where the insured’s home is located] and ending 24 hours following the termination of the last hurricane warning issued for any part of the State [in which the insured’s home is located];~~
AND

~~(2) REGARDLESS OF WHERE THE INSURED’S HOME IS LOCATED IN THE STATE.~~

~~(D)~~ (1) An insurer that ISSUES A POLICY OF HOMEOWNER’S INSURANCE THAT INCLUDES A DEDUCTIBLE THAT IS EQUAL TO A PERCENTAGE OF THE “COVERAGE A – DWELLING LIMIT” OF THE POLICY OR has adopted an underwriting standard that requires a MANDATORY HURRICANE deductible equal to a percentage of the “Coverage A – Dwelling Limit” of the policy ~~in the case of a hurricane~~ [or other storm] shall provide a policyholder with an annual statement explaining the manner in which the deductible is applied IN ACCORDANCE WITH § 19-209.1 OF THIS SUBTITLE.

(2) The insurer shall send a copy of the form used to provide the ~~notice~~ STATEMENT required under paragraph (1) of this subsection to the Commissioner ~~FOR INFORMATION~~ prior to its use.

~~(E)~~ (E) The Commissioner may adopt regulations to implement the provisions of this section.

19-209.1.

(A) AN INSURER THAT ISSUES A POLICY OF HOMEOWNER’S INSURANCE THAT INCLUDES A DEDUCTIBLE THAT IS EQUAL TO A PERCENTAGE OF THE “COVERAGE A – DWELLING LIMIT” OF THE POLICY, OR HAS ADOPTED AN UNDERWRITING STANDARD THAT REQUIRES A MANDATORY HURRICANE DEDUCTIBLE EQUAL TO A PERCENTAGE OF THE “COVERAGE A – DWELLING LIMIT” OF THE POLICY, SHALL PROVIDE AN INSURED WITH A STATEMENT ABOUT THE DEDUCTIBLE AT THE TIME THE POLICY OF HOMEOWNER’S INSURANCE IS FIRST ISSUED AND AT EACH RENEWAL.

(B) (1) THE STATEMENT REQUIRED UNDER SUBSECTION (A) OF THIS SECTION SHALL:

(I) BE TITLED, IN AT LEAST 12 POINT TYPE, “PERCENTAGE DEDUCTIBLE NOTICE”;

(II) STATE THE ACTUAL PERCENTAGE OF THE PERCENTAGE DEDUCTIBLE;

(III) STATE THE CIRCUMSTANCES UNDER WHICH THE DEDUCTIBLE APPLIES;

(IV) INCLUDE AN EXAMPLE OF HOW THE DEDUCTIBLE APPLIES TO A LOSS; AND

(V) INCLUDE THE FOLLOWING STATEMENT, OR A SUBSTANTIALLY SIMILAR STATEMENT, IN AT LEAST 10 POINT TYPE:

“YOUR HOMEOWNER’S INSURANCE POLICY CONTAINS A PERCENTAGE DEDUCTIBLE, WHICH MEANS THAT YOUR DEDUCTIBLE FOR A COVERED LOSS WILL BE DETERMINED BY MULTIPLYING THE DOLLAR AMOUNT OF YOUR COVERAGE A – DWELLING LIMIT OF LIABILITY BY THIS PERCENTAGE UNDER THE FOLLOWING CIRCUMSTANCES: [INSERT EXPLANATION OF CIRCUMSTANCES UNDER WHICH A PERCENTAGE DEDUCTIBLE WOULD BE APPLIED]”.

(2) THE EXAMPLE REQUIRED UNDER PARAGRAPH (1)(IV) OF THIS SUBSECTION MAY BE PROVIDED IN THE FOLLOWING MANNER:

“IF, AT THE TIME OF A COVERED LOSS, A HOMEOWNER’S INSURANCE POLICY’S COVERAGE A – DWELLING LIMIT OF LIABILITY IS \$300,000 AND THE POLICY INCLUDES A 2% DEDUCTIBLE, THE POLICYHOLDER WILL BE RESPONSIBLE FOR PAYING A DEDUCTIBLE OF \$6,000 ON A CLAIM FOR A COVERED LOSS (\$300,000 X 2%). THIS MEANS THAT, FOR EXAMPLE:

IF THE COVERED LOSS TO THE DWELLING IS \$25,000 AND THE COVERED LOSS TO PERSONAL PROPERTY IS \$10,000 FOR A TOTAL COVERED LOSS OF \$35,000, THE POLICYHOLDER IS RESPONSIBLE FOR PAYING A \$6,000 DEDUCTIBLE AND THE INSURER IS RESPONSIBLE FOR THE BALANCE OF THE COVERED LOSS, OR \$29,000.

IF THE COVERED LOSS TO THE DWELLING IS \$5,000, THE POLICYHOLDER IS RESPONSIBLE FOR PAYING THE ENTIRE COVERED LOSS BECAUSE THE TOTAL AMOUNT OF THE COVERED LOSS IS LESS THAN THE PERCENTAGE DEDUCTIBLE, WHICH IS \$6,000.”.

(C) (1) AN INSURER MAY SATISFY THE REQUIREMENTS OF SUBSECTION (B) OF THIS SECTION IF, ON THE DECLARATIONS PAGE OF THE POLICY OF HOMEOWNER’S INSURANCE OR IN A SEPARATE STATEMENT, THE INSURER STATES:

(I) THE ACTUAL PERCENTAGE OF THE PERCENTAGE DEDUCTIBLE;

(II) THE DOLLAR AMOUNT OF THE PERCENTAGE DEDUCTIBLE AS IT RELATES TO THE POLICY OF HOMEOWNER’S INSURANCE; AND

(III) THE CIRCUMSTANCES UNDER WHICH THE DEDUCTIBLE APPLIES.

(2) THE STATEMENT SHALL BE TITLED, IN AT LEAST 12 POINT TYPE, “PERCENTAGE DEDUCTIBLE NOTICE”.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all policies of homeowner’s insurance issued, delivered, or renewed in the State on or after ~~October 1, 2016~~ January 1, 2017.

SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect ~~October 1, 2016~~ January 1, 2017.

Approved by the Governor, May 10, 2016.