

MARYLAND REGISTER

## Proposed Action on Regulations

<b>Transmittal Sheet</b>  <b>PROPOSED OR REPROPOSED</b>  <b>Actions on Regulations</b>	<b>Date Filed with AELR Committee</b>	<b>TO BE COMPLETED BY DSD</b>
	08/16/2016	Date Filed with Division of State Documents
		Document Number
		Date of Publication in MD Register

**1. Desired date of publication in Maryland Register: 9/30/2016**

**2. COMAR Codification**

**Title Subtitle Chapter Regulation**

31 08 13 03, .04, .06

**3. Name of Promulgating Authority**

Maryland Insurance Administration

**4. Name of Regulations Coordinator**

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## **Title 31**

### **MARYLAND INSURANCE ADMINISTRATION**

#### **Subtitle 08 PROPERTY AND CASUALTY INSURANCE**

#### **31.08.13 Application of a Percentage Deductible in the Case of a Hurricane or Other Storm**

Authority: Insurance Article, §§2-109 and 19-209, Annotated Code of Maryland

#### **Notice of Proposed Action**

□

The Insurance Commissioner proposes to (1) Amend Regulations .03 and .04 under COMAR 31.08.13 Application of a Percentage Deductible in the Case of a Hurricane or Other Storm; and  
(2) Repeal Regulation .06 under COMAR 31.08.13 Application of a Percentage Deductible in the Case of a Hurricane or Other Storm.

#### **Statement of Purpose**

The purpose of this action is to amend 31.08.13.03 to remove the definition of "other storm" as House Bill 557 from the 2016 legislative session (Chapter 491) removed the phrase in the statute; amend 31.08.13.04 with a technical change to match the language from House Bill 557; repeal COMAR 31.08.13.06 to remove the Annual Statement requirement to be consistent with House Bill 557 from the 2016 legislative session (Chapter 491) which incorporate the annual statement requirements into the statute.

#### **Comparison to Federal Standards**

There is no corresponding federal standard to this proposed action.

#### **Estimate of Economic Impact**

The proposed action has no economic impact.

#### **Economic Impact on Small Businesses**

The proposed action has minimal or no economic impact on small businesses.

#### **Impact on Individuals with Disabilities**

The proposed action has no impact on individuals with disabilities.

#### **Opportunity for Public Comment**

Comments may be sent to Lisa Larson, Assistant Director of Regulatory Affairs, Maryland Insurance Administration, 200 Saint Paul Place, Ste. 2700, Baltimore, MD

21202, or call 410-468-2007, or email to lisa.larson@maryland.gov, or fax to 410-468-2020. Comments will be accepted through October 31, 2016. A public hearing has not been scheduled.

### **Economic Impact Statement Part C**

A. Fiscal Year in which regulations will become effective: FY 17

B. Does the budget for the fiscal year in which regulations become effective contain funds to implement the regulations?

No

C. If 'yes', state whether general, special (exact name), or federal funds will be used:

D. If 'no', identify the source(s) of funds necessary for implementation of these regulations:

No funds are necessary to implement these changes.

E. If these regulations have no economic impact under Part A, indicate reason briefly:

No funds are necessary to implement these changes.

F. If these regulations have minimal or no economic impact on small businesses under Part B, indicate the reason and attach small business worksheet.

No funds are necessary to implement these changes.

G. Small Business Worksheet:

Attached Document:

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## **Title 31 MARYLAND INSURANCE ADMINISTRATION**

### **Subtitle 08 PROPERTY AND CASUALTY INSURANCE**

#### **Chapter 13 Application of a Percentage Deductible in the Case of a Hurricane or Other Storm**

Authority: Insurance Article, §§2-109 and 19-209, Annotated Code of Maryland

##### **.03 Definitions.**

A. (text unchanged)

B. Terms Defined.

(1) – (5) (text unchanged)

[(6) "Other storm" includes:

- (a) A hail storm;
- (b) A snow storm;
- (c) A thunderstorm;
- (d) A tornado; and
- (e) A wind storm.]

[(7)] (6) (text unchanged)

[(8)] (7) (text unchanged)

[(9)] (8) (text unchanged)

[(10)] (9) (text unchanged)

#### **.04 Application of a Percentage Deductible.**

A. An insurer may apply a percentage deductible to a claim for a covered loss under a homeowner's insurance policy if the covered loss was sustained while a hurricane warning was in effect, or within 24 hours following termination of the last hurricane warning issued, for any part of the State [in which the residential property is located.] *regardless of where the insured's home is located in the State.*

B. (text unchanged)

#### **[.06 Annual Statement.**

A. An insurer that has adopted an underwriting standard that seeks to apply a percentage deductible shall provide an annual statement to each policyholder explaining the manner in which the percentage deductible is applied.

B. An insurer shall file a copy of the form of its annual statement with the Commissioner at least 60 days before its use.

C. If an insurer makes any amendments to its annual statement, it shall file an amended version of the annual statement with the Commissioner at least 60 days before its use.

D. Approval by the Commissioner of the annual statement constitutes a waiver of any unexpired part of the 60-day waiting period.

E. The Commissioner may extend the initial 60-day waiting period up to an additional 60 days if the Commissioner gives notice of the extension before the initial waiting period ends.

F. The annual statement is deemed approved unless the Commissioner affirmatively approves or disapproves it before the end of the initial 60-day waiting period or any extended waiting period.

G. At any time, the Commissioner may withdraw approval of an annual statement, if the Commissioner:

- (1) Gives prior notice of the withdrawal; and
- (2) States the effective date of the withdrawal in the notice.

H. The annual statement shall:

- (1) Be provided to a policyholder on a separate form;
- (2) Be provided to a policyholder by:
  - (a) First-class mail; or
  - (b) Delivery by electronic means in accordance with Insurance Article, §27-601.2, Annotated Code of

Maryland;

- (3) Be clear and specific;
- (4) State that the percentage deductible will be applied to a covered loss if:

(a) The residential property is located in any part of the State for which a hurricane warning has been issued by the National Hurricane Center of the National Weather Service; and

(b) The covered loss was sustained while a hurricane warning was in effect, or within 24 hours following termination of the last hurricane warning issued, for any part of the State in which the residential property is located; and

- (5) Include the following statement or a substantially similar statement:

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].

The examples below are for illustrative purposes only.

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 amount 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.

Please review your homeowner's insurance policy to determine your percentage deductible, your Coverage A — Dwelling Limit of Liability, and under what circumstances this percentage deductible will be applied.

I. An insurer may mail the annual statement that is required by this regulation with the annual summary statement that is required by Insurance Article, §19-205, Annotated Code of Maryland.]