

SENATE JOINT RESOLUTION 6

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2004 Regular Session  
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CF 4lr3128

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By: **Senators Stone, Astle, Brochin, Colburn, Conway, DeGrange, Della,  
Dyson, Green, Grosfeld, Harris, Jacobs, Jimeno, Kasemeyer,  
Klausmeier, Miller, and Teitelbaum**

Introduced and read first time: February 6, 2004

Assigned to: Education, Health, and Environmental Affairs and Finance

Reassigned: Finance, February 11, 2004

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 23, 2004

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RESOLUTION NO. \_\_\_\_\_

SENATE JOINT RESOLUTION

1 A Senate Joint Resolution concerning

2 **National Flood Insurance Program - Tropical Storm/Hurricane Isabel**

3 FOR the purpose of urging the Congress of the United States to review the National  
4 Flood Insurance Program, encourage the Program to work closely with the  
5 Maryland Insurance Administration to improve the process and ensure fair  
6 consideration of claims, and consider changes to the Program that would  
7 improve coordination and the handling of claims and other aspects of the  
8 Program.

9 WHEREAS, The devastation caused by Tropical Storm/Hurricane Isabel in  
10 September 2003 impacted communities across the State, particularly in Anne  
11 Arundel County, Baltimore County, Montgomery County, and along the shorelines;  
12 and

13 WHEREAS, The cost of repairing or rebuilding over 5,600 properties that were  
14 severely damaged or destroyed by Tropical Storm/Hurricane Isabel is estimated to  
15 total in the tens of millions of dollars; and

16 WHEREAS, Direct flood or flood-related property damage is not covered under  
17 general homeowners insurance policies; and

18 WHEREAS, The National Flood Insurance Program, established under the  
19 National Flood Insurance Act of 1968, is the federal program enabling property  
20 owners in participating communities to purchase insurance as a protection against  
21 flood losses in exchange for State and community flood plain management regulations  
22 that reduce future flood damages; and

1 WHEREAS, Federal flood insurance may be purchased ~~through insurance~~  
2 ~~producers that sell general~~ from licensed private insurance companies that sell  
3 homeowners insurance under the Write Your Own (WYO) Program, or directly  
4 through the National Flood Insurance Program; and

5 WHEREAS, Many federal flood insurance policyholders who thought they were  
6 adequately insured for Tropical Storm/Hurricane Isabel learned otherwise about the  
7 underlying aspects of the insurance coverage; and

8 WHEREAS, The federal flood insurance left substantial needs unmet for many  
9 consumers due to policy exclusions and limitations, ~~including the payment of actual~~  
10 ~~cost value of the loss less any depreciation rather than replace cost value which would~~  
11 ~~return the property to the condition it was in prior to the loss; and such as the~~  
12 payment of actual cash value rather than replacement cost for most personal  
13 property, the exclusion from coverage for certain personal property, and the exclusion  
14 from coverage for certain structures such as piers, decks, and bulkheads; and

15 WHEREAS, Many consumers who purchased structural coverage under the  
16 federal flood insurance ~~did not purchase contents coverage~~ believed that they had  
17 coverage for the personal property in their dwelling but learned after their dwelling  
18 was damaged that they did not have coverage for their contents; and

19 WHEREAS, Many consumers experienced long delays in hearing from adjusters  
20 and producers and receiving claim funds from the ~~homeowners WYO~~ insurance  
21 companies and the National Flood Insurance Program to settle their damage claims;  
22 and

23 WHEREAS, Many consumers ~~were confronted by~~ had to deal with various  
24 adjusters representing the ~~homeowners WYO~~ insurance companies, and the National  
25 Flood Insurance Program, ~~and others,~~ causing the consumers to receive multiple  
26 inconsistent loss determinations; and

27 WHEREAS, Many consumers complained that some adjusters, insurance  
28 company representatives, and insurance producers were untrained about the aspects  
29 of federal flood insurance and provided ~~loss determinations that were substantially~~  
30 ~~less than expected for the property and region~~ conflicting and incorrect information  
31 about their policies and coverage under their policies; and

32 WHEREAS, There appeared to be a pattern among some consumers who  
33 received offers of settlements from WYO insurance companies to repair or replace  
34 damaged dwellings that were inadequate to cover the full cost of repairing or  
35 replacing the dwellings because of inadequate reimbursement for the cost of  
36 materials and labor; and

37 WHEREAS, Consumers affected by Isabel generally believed that the level of  
38 coordination between and among federal agencies involved in the Isabel aftermath  
39 was not good; and

40 WHEREAS, In some cases the process used by WYO insurance companies  
41 appeared to be coercive to some consumers because they felt compelled to settle

1 certain parts of their insurance claims in order to receive payment for other parts of  
2 their claims; and

3 WHEREAS, At the time of the claim, many consumers were charged additional  
4 federal flood insurance premiums retroactively to update the underwriting of the  
5 policy; and

6 WHEREAS, To assist consumers in filing claims under federal flood insurance,  
7 the Maryland Insurance Administration participated at the Federal Emergency  
8 Management Agency Disaster Recovery Centers, participated in community  
9 meetings, and were trained by regional National Flood Insurance Program  
10 representatives; and

11 WHEREAS, The Maryland Insurance Administration received over 1,200  
12 inquiries and over 200 formal complaints from Maryland property owners; and

13 WHEREAS, While most areas in the State that were hit hard by Tropical  
14 Storm/Hurricane Isabel are now well on their way to recovery, several communities  
15 are still struggling ~~over 5~~ many months later to resolve their claims with the National  
16 Flood Insurance Program; now, therefore, be it

17 RESOLVED BY THE GENERAL ASSEMBLY OF MARYLAND, That the  
18 General Assembly urges the Congress of the United States to review the National  
19 Flood Insurance Program, encourage the Program to work closely with the Maryland  
20 Insurance Administration to improve the process and ensure fair consideration of  
21 claims, and consider changes to the program that would improve coordination and the  
22 handling of claims and other aspects of the program, including delegating authority to  
23 the Maryland Insurance Administration to ~~mediate claims, ensuring that properties~~  
24 ~~are underwritten properly for flood insurance prior to the payment of premium,~~  
25 ~~facilitating the use of a single adjuster when a claim is filed for both homeowners~~  
26 ~~insurance and flood insurance~~ investigate claims under State law, requiring that  
27 WYO insurance companies better educate their producers and insureds regarding  
28 coverage under the flood policy, and covering real and personal property damage at  
29 ~~replace~~ replacement cost value; and be it further

30 RESOLVED, That a copy of this Resolution be forwarded by the Department of  
31 Legislative Services to the Honorable Robert L. Ehrlich, Jr., Governor of Maryland;  
32 the Honorable Thomas V. Mike Miller, Jr., President of the Senate of Maryland; and  
33 the Honorable Michael E. Busch, Speaker of the House of Delegates; and be it further

34 RESOLVED, That a copy of this Resolution be forwarded by the Department of  
35 Legislative Services to the Maryland Congressional Delegation: Senators Paul S.  
36 Sarbanes and Barbara A. Mikulski, Senate Office Building, Washington, D.C. 20510;  
37 and Representatives Wayne T. Gilchrest, C. A. Dutch Ruppersberger III, Benjamin L.  
38 Cardin, Albert R. Wynn, Steny Hamilton Hoyer, Roscoe G. Bartlett, Elijah E.  
39 Cummings, and Christopher Van Hollen, Jr., House Office Building, Washington,  
40 D.C. 20515.

