

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1071

(Delegate Minnick, *et al.*)

Economic Matters

Finance

Homeowner's Insurance - Offer and Summary of Coverage

This bill requires an insurer that issues or delivers a homeowner's insurance policy to provide a policyholder with a statement that summarizes the coverages and exclusions under the policy.

The bill takes effect January 1, 2005 and applies to personal lines property and casualty insurance policies and contracts issued, delivered, or renewed on or after January 1, 2005.

Fiscal Summary

State Effect: Special fund revenue for the Maryland Insurance Administration (MIA) would increase in FY 2005 from forms filed under the bill. The number of filings cannot be accurately estimated. Expenditures would not be affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill requires the insurer's statement to be sufficiently clear so that an individual of average intelligence can identify the coverages and exclusions under the policy and to state whether the policy coverages provide for replacement or actual cash value.

The statement must include a disclosure stating specified information about the coverages under the policy and the statement. The statement does not create any legal obligation on the insurer's part.

The bill requires an insurance producer to provide an applicant for homeowner's insurance, at the time the policy is initially purchased, a written notice that states that a standard homeowner's insurance policy does not cover losses from flood. The notice must state that flood insurance is available through the National Flood Insurance Program. If the insurance producer also sells flood insurance, the producer must offer to sell flood insurance to the applicant. The offer must be in writing and state specified information about the costs and coverages of the flood insurance policy.

If the producer does not sell flood insurance, the producer must furnish the applicant with contact information for the National Flood Insurance Program.

At the time an insurance producer initially sells, solicits, or negotiates homeowner's insurance, the producer must provide an applicant with an itemized statement that lists all add-on coverage available from the insurer to the applicant. The statement must be in writing and contain specified information about add-on coverage.

Current Law: An insurer's communications to a policyholder about a policy's coverages and exclusions, claims adjusting, and claims settlement procedures are not specifically regulated by statute.

State Revenues: MIA advises that, of the 840 insurers licensed to sell homeowner's insurance in the State, 143 report written premium. Each insurer that sells homeowner's insurance may have several insurance products for which a form would be filed under the bill. Each form filed would be subject to the \$125 rate and form filing fee. For illustrative purposes, if each of the 143 current sellers of homeowner's insurance filed one form, revenues for the Insurance Regulation Fund would increase by \$17,875 in fiscal 2005.

Additional Information

Prior Introductions: None.

Cross File: SB 585 (Senator Stone, *et al.*) – Finance.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

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