

(PRE-FILED)

By: **Delegate Trueschler**
Requested: July 6, 2004
Introduced and read first time: January 12, 2005
Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Homeowner's Insurance - Offer and Summary of Coverage**

3 FOR the purpose of requiring certain insurers to provide certain policyholders with
4 certain annual written statements that summarize certain coverages and
5 exclusions; requiring the statement to be sufficiently clear so that an individual
6 of average intelligence can identify the coverages and exclusions; describing the
7 information that must be included in the statement; providing that the
8 statement does not create a legal obligation on the part of an insurer; requiring
9 certain insurance producers to provide certain applicants with a certain notice
10 regarding flood insurance; requiring the notice to be in a certain form; requiring
11 the notice to include certain information; requiring certain insurance producers
12 to deliver certain information to certain applicants; requiring certain insurance
13 producers to provide certain itemized statements of certain coverages available
14 from an insurer under certain circumstances; requiring certain information to
15 be included in the statement; requiring certain insurance producers to deliver
16 the statement under certain circumstances; providing for the application of this
17 Act; defining certain terms; providing for a delayed effective date; and generally
18 relating to homeowner's insurance.

19 BY adding to
20 Article - Insurance
21 Section 19-204 through 19-206
22 Annotated Code of Maryland
23 (2002 Replacement Volume and 2004 Supplement)

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

26 **Article - Insurance**

27 19-204.

28 (A) IN THIS SECTION, "INSURER" MEANS AN INSURER THAT ISSUES OR
29 DELIVERS A POLICY OF HOMEOWNER'S INSURANCE IN THE STATE.

1 (B) (1) AN INSURER SHALL PROVIDE A POLICYHOLDER WITH AN ANNUAL
2 STATEMENT THAT SUMMARIZES THE COVERAGES AND EXCLUSIONS UNDER THE
3 POLICY.

4 (2) THE INSURER'S STATEMENT MUST BE SUFFICIENTLY CLEAR SO
5 THAT AN INDIVIDUAL OF AVERAGE INTELLIGENCE CAN IDENTIFY THE COVERAGES
6 AND EXCLUSIONS UNDER THE POLICY.

7 (3) THE INSURER'S STATEMENT SHALL STATE WHETHER THE
8 COVERAGES UNDER THE POLICY PROVIDE FOR REPLACEMENT VALUE OR ACTUAL
9 CASH VALUE OR OTHER METHOD OF LOSS PAYMENT.

10 (4) THE INSURER'S STATEMENT SHALL INCLUDE A DISCLOSURE THAT
11 STATES:

12 (I) THE POLICYHOLDER SHOULD READ THE POLICY FOR
13 COMPLETE INFORMATION ON COVERAGES AND EXCLUSIONS;

14 (II) THE POLICYHOLDER SHOULD REFER TO THE DECLARATIONS
15 PAGE FOR A SUMMARY OF COVERAGES PURCHASED;

16 (III) THE POLICYHOLDER SHOULD COMMUNICATE WITH THE
17 INSURANCE PRODUCER OR THE INSURER FOR ANY ADDITIONAL INFORMATION
18 REGARDING THE SCOPE OF COVERAGES IN THE POLICY;

19 (IV) THE STATEMENT DOES NOT INCLUDE ADD-ON COVERAGES
20 PURCHASED BY THE POLICYHOLDER, IF ANY; AND

21 (V) THE STATEMENT IS NOT PART OF THE POLICY AND DOES NOT
22 CREATE ANY LEGAL OBLIGATION ON THE PART OF THE INSURER.

23 (C) THE STATEMENT UNDER SUBSECTION (B) OF THIS SECTION DOES NOT
24 CREATE ANY LEGAL OBLIGATION ON THE PART OF AN INSURER.

25 19-205.

26 (A) AN INSURANCE PRODUCER THAT SELLS OR NEGOTIATES HOMEOWNER'S
27 INSURANCE IN THE STATE SHALL PROVIDE THE APPLICANT, AT THE TIME A POLICY
28 IS INITIALLY PURCHASED, WITH A WRITTEN NOTICE THAT STATES THAT A
29 STANDARD HOMEOWNER'S INSURANCE POLICY DOES NOT COVER LOSSES FROM
30 FLOOD.

31 (B) THE NOTICE SHALL STATE THAT FLOOD INSURANCE IS AVAILABLE
32 THROUGH THE NATIONAL FLOOD INSURANCE PROGRAM.

33 (C) (1) IF THE INSURANCE PRODUCER FROM WHOM AN APPLICANT
34 PROCURES HOMEOWNER'S INSURANCE SELLS FLOOD INSURANCE, THE INSURANCE
35 PRODUCER SHALL OFFER TO SELL FLOOD INSURANCE TO THE APPLICANT.

36 (2) AN OFFER TO SELL FLOOD INSURANCE SHALL:

1 (I) BE IN WRITING;

2 (II) STATE THAT THE COST OF FLOOD INSURANCE IS NOT PART OF
3 THE PREMIUM FOR THE STANDARD HOMEOWNER'S INSURANCE POLICY; AND

4 (III) STATE THE TYPE AND COST OF FLOOD INSURANCE COVERAGE
5 TO BE SOLD, INCLUDING COVERAGE FOR:

6 1. STRUCTURE; AND

7 2. CONTENTS.

8 (D) (1) AN INSURANCE PRODUCER SHALL DELIVER TO THE APPLICANT THE
9 OFFER TO SELL FLOOD INSURANCE.

10 (2) THE OFFER TO SELL FLOOD INSURANCE SHALL INCLUDE A SPACE TO
11 INDICATE THE APPLICANT'S ACCEPTANCE OR REJECTION OF FLOOD INSURANCE.

12 (E) IF THE INSURANCE PRODUCER FROM WHOM THE APPLICANT PROCURES
13 HOMEOWNER'S INSURANCE DOES NOT SELL FLOOD INSURANCE, THE INSURANCE
14 PRODUCER SHALL FURNISH THE APPLICANT WITH THE CONTACT INFORMATION FOR
15 THE NATIONAL FLOOD INSURANCE PROGRAM.

16 19-206.

17 (A) IN THIS SECTION, "ADD-ON COVERAGE" MEANS COVERAGES OR SERVICES
18 SOLD IN CONNECTION WITH A STANDARD HOMEOWNER'S INSURANCE POLICY FOR
19 ADDITIONAL COVERAGES OFFERED BY AN INSURER.

20 (B) AT THE TIME AN INSURANCE PRODUCER INITIALLY SELLS OR
21 NEGOTIATES HOMEOWNER'S INSURANCE IN THE STATE, THE INSURANCE PRODUCER
22 SHALL PROVIDE AN APPLICANT WITH AN ITEMIZED STATEMENT THAT LISTS ALL
23 ADD-ON COVERAGE AVAILABLE FROM THE INSURER TO THE APPLICANT.

24 (C) THE STATEMENT SHALL:

25 (1) BE IN WRITING;

26 (2) STATE THAT THE COST OF ADD-ON COVERAGE IS NOT PART OF THE
27 PREMIUM FOR THE STANDARD HOMEOWNER'S INSURANCE POLICY;

28 (3) STATE THE TYPE AND COST OF EACH ADD-ON COVERAGE
29 AVAILABLE; AND

30 (4) STATE THAT ADD-ON COVERAGE IS OPTIONAL.

31 (D) (1) AN INSURANCE PRODUCER SHALL DELIVER TO THE APPLICANT THE
32 ITEMIZED STATEMENT THAT LISTS ALL ADD-ON COVERAGE AVAILABLE FROM THE
33 INSURER.

1 (2) THE STATEMENT SHALL INCLUDE A SPACE TO INDICATE THE
2 APPLICANT'S ACCEPTANCE OR REJECTION OF THE ADD-ON COVERAGE.

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all
4 personal lines homeowner's insurance policies and contracts issued, delivered, or
5 renewed on or after January 1, 2006.

6 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
7 January 1, 2006.