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By: **Senator Stone**

Introduced and read first time: February 3, 2005

Assigned to: Finance

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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.