
By: **Senator Stone**

Introduced and read first time: February 3, 2005

Assigned to: Finance

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: April 5, 2005

CHAPTER _____

1 AN ACT concerning

2 **Homeowner's Insurance - ~~Offer and Summary of Coverage~~ Statements**
3 **Regarding Coverages**

4 FOR the purpose of requiring certain insurers to provide certain policyholders with a
5 certain annual written ~~statements~~ statement that ~~summarize~~ summarizes
6 certain coverages and exclusions; ~~requiring the statement to be sufficiently clear~~
7 ~~so that an individual of average intelligence can identify the coverages and~~
8 ~~exclusions; describing the information that must be included in the statement;~~
9 ~~providing that the statement does not create a legal obligation on the part of an~~
10 ~~insurer; requiring certain insurance producers to provide certain applicants~~
11 ~~with a certain notice regarding flood insurance; requiring the notice to be in a~~
12 ~~certain form; requiring the notice to include certain information; requiring~~
13 ~~certain insurance producers to deliver certain information to certain applicants;~~
14 ~~requiring certain insurance producers to provide certain itemized statements of~~
15 ~~certain coverages available from an insurer under certain circumstances;~~
16 ~~requiring certain information to be included in the statement; requiring certain~~
17 ~~insurance producers to deliver the statement under certain circumstances~~
18 requiring certain insurers or certain insurance producers to provide certain
19 applicants with certain statements regarding flood insurance and additional
20 optional coverages at the time of initial application for certain insurance or at
21 the time a certain policy is issued; requiring that certain statements be clear
22 and specific; providing that certain statements are not part of the policy or
23 contract of insurance and do not create a private right of action; describing the
24 information that must be included in certain statements; providing for the
25 application of this Act; defining certain terms; providing for a delayed effective
26 date; and generally relating to homeowner's insurance.

27 BY renumbering

1 Article - Insurance
 2 Section 19-201 through 19-203, respectively
 3 to be Section 19-202 through 19-204, respectively
 4 Annotated Code of Maryland
 5 (2002 Replacement Volume and 2004 Supplement)

6 BY adding to
 7 Article - Insurance
 8 ~~Section 19-204 through 19-206~~ 19-201 and 19-205 through 19-207, inclusive
 9 Annotated Code of Maryland
 10 (2002 Replacement Volume and 2004 Supplement)

11 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
 12 MARYLAND, That Section(s) 19-201 through 19-203, respectively, of Article -
 13 Insurance of the Annotated Code of Maryland be renumbered to be Section(s) 19-202
 14 through 19-204, respectively.

15 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
 16 read as follows:

17 **Article - Insurance**

18 19-201.

19 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
 20 INDICATED.

21 (B) "ADDITIONAL OPTIONAL COVERAGE" MEANS A COVERAGE OR SERVICE
 22 THAT COVERS THE STRUCTURES, CONTENTS, PROPERTY, OR ACTIVITIES ON
 23 PROPERTY THAT IS AVAILABLE FOR PURCHASE IN CONNECTION WITH A STANDARD
 24 HOMEOWNER'S INSURANCE POLICY.

25 (C) "INSURER" MEANS AN INSURER THAT ISSUES A POLICY OF HOMEOWNER'S
 26 INSURANCE IN THE STATE.

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.~~

30 (B) (1) ~~AN INSURER SHALL PROVIDE A POLICYHOLDER WITH AN ANNUAL~~
 31 ~~STATEMENT THAT SUMMARIZES THE COVERAGES AND EXCLUSIONS UNDER THE~~
 32 ~~POLICY.~~

33 (2) ~~THE INSURER'S STATEMENT MUST BE SUFFICIENTLY CLEAR SO~~
 34 ~~THAT AN INDIVIDUAL OF AVERAGE INTELLIGENCE CAN IDENTIFY THE COVERAGES~~
 35 ~~AND EXCLUSIONS UNDER THE POLICY.~~

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

4 (4) ~~THE INSURER'S STATEMENT SHALL INCLUDE A DISCLOSURE THAT~~
5 ~~STATES:~~

6 (I) ~~THE POLICYHOLDER SHOULD READ THE POLICY FOR~~
7 ~~COMPLETE INFORMATION ON COVERAGES AND EXCLUSIONS;~~

8 (II) ~~THE POLICYHOLDER SHOULD REFER TO THE DECLARATIONS~~
9 ~~PAGE FOR A SUMMARY OF COVERAGES PURCHASED;~~

10 (III) ~~THE POLICYHOLDER SHOULD COMMUNICATE WITH THE~~
11 ~~INSURANCE PRODUCER OR THE INSURER FOR ANY ADDITIONAL INFORMATION~~
12 ~~REGARDING THE SCOPE OF COVERAGES IN THE POLICY;~~

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

15 (V) ~~THE STATEMENT IS NOT PART OF THE POLICY AND DOES NOT~~
16 ~~CREATE ANY LEGAL OBLIGATION ON THE PART OF THE INSURER.~~

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

19 ~~49-205.~~

20 (A) ~~AN INSURANCE PRODUCER THAT SELLS OR NEGOTIATES HOMEOWNER'S~~
21 ~~INSURANCE IN THE STATE SHALL PROVIDE THE APPLICANT, AT THE TIME A POLICY~~
22 ~~IS INITIALLY PURCHASED, WITH A WRITTEN NOTICE THAT STATES THAT A~~
23 ~~STANDARD HOMEOWNER'S INSURANCE POLICY DOES NOT COVER LOSSES FROM~~
24 ~~FLOOD.~~

25 (B) ~~THE NOTICE SHALL STATE THAT FLOOD INSURANCE IS AVAILABLE~~
26 ~~THROUGH THE NATIONAL FLOOD INSURANCE PROGRAM.~~

27 (C) (I) ~~IF THE INSURANCE PRODUCER FROM WHOM AN APPLICANT~~
28 ~~PROCURES HOMEOWNER'S INSURANCE SELLS FLOOD INSURANCE, THE INSURANCE~~
29 ~~PRODUCER SHALL OFFER TO SELL FLOOD INSURANCE TO THE APPLICANT.~~

30 (2) ~~AN OFFER TO SELL FLOOD INSURANCE SHALL:~~

31 (I) ~~BE IN WRITING;~~

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

34 (III) ~~STATE THE TYPE AND COST OF FLOOD INSURANCE COVERAGE~~
35 ~~TO BE SOLD, INCLUDING COVERAGE FOR:~~

1 ~~1. STRUCTURE; AND~~

2 ~~2. CONTENTS.~~

3 ~~(D) (1) AN INSURANCE PRODUCER SHALL DELIVER TO THE APPLICANT THE~~
4 ~~OFFER TO SELL FLOOD INSURANCE.~~

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

7 ~~(E) IF THE INSURANCE PRODUCER FROM WHOM THE APPLICANT PROCURES~~
8 ~~HOMEOWNER'S INSURANCE DOES NOT SELL FLOOD INSURANCE, THE INSURANCE~~
9 ~~PRODUCER SHALL FURNISH THE APPLICANT WITH THE CONTACT INFORMATION FOR~~
10 ~~THE NATIONAL FLOOD INSURANCE PROGRAM.~~

11 ~~19-206.~~

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

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

19 ~~(C) THE STATEMENT SHALL:~~

20 ~~(1) BE IN WRITING;~~

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

23 ~~(3) STATE THE TYPE AND COST OF EACH ADD-ON COVERAGE~~
24 ~~AVAILABLE; AND~~

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

26 ~~(D) (1) AN INSURANCE PRODUCER SHALL DELIVER TO THE APPLICANT THE~~
27 ~~ITEMIZED STATEMENT THAT LISTS ALL ADD-ON COVERAGE AVAILABLE FROM THE~~
28 ~~INSURER.~~

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

31 ~~19-205.~~

32 ~~(A) AN INSURER SHALL PROVIDE A POLICYHOLDER WITH A WRITTEN ANNUAL~~
33 ~~STATEMENT THAT IS CLEAR AND SPECIFIC AND SUMMARIZES THE COVERAGES AND~~
34 ~~EXCLUSIONS UNDER THE POLICY.~~

1 (B) THE STATEMENT SHALL:

2 (1) LIST THE COVERAGES AND EXCLUSIONS UNDER THE POLICY;

3 (2) STATE THE METHOD OF LOSS PAYMENT FOR COVERED STRUCTURES
4 AND CONTENTS;

5 (3) STATE THAT THE POLICYHOLDER SHOULD READ THE POLICY FOR
6 COMPLETE INFORMATION ON COVERAGES AND EXCLUSIONS;

7 (4) STATE THAT THE POLICYHOLDER SHOULD REFER TO THE
8 DECLARATIONS PAGE FOR A LISTING OF COVERAGES PURCHASED;

9 (5) STATE THAT THE POLICYHOLDER SHOULD COMMUNICATE WITH
10 THE INSURER OR INSURANCE PRODUCER FOR ANY ADDITIONAL INFORMATION
11 REGARDING THE SCOPE OF COVERAGES IN THE POLICY;

12 (6) STATE THAT THE LIST OF COVERAGES AND EXCLUSIONS UNDER
13 ITEM (1) OF THIS SUBSECTION DOES NOT INCLUDE ANY ADDITIONAL OPTIONAL
14 COVERAGES PURCHASED BY THE POLICYHOLDER; AND

15 (7) STATE THAT ALL RIGHTS, DUTIES, AND OBLIGATIONS ARE
16 CONTROLLED BY THE POLICY AND CONTRACT OF INSURANCE.

17 (C) THE STATEMENT REQUIRED UNDER THIS SECTION IS NOT PART OF THE
18 POLICY OR CONTRACT OF INSURANCE AND DOES NOT CREATE A PRIVATE RIGHT OF
19 ACTION.

20 19-206.

21 (A) AN INSURER OR AN INSURANCE PRODUCER THAT SELLS HOMEOWNER'S
22 INSURANCE IN THE STATE SHALL PROVIDE AN APPLICANT, AT THE TIME OF INITIAL
23 APPLICATION FOR HOMEOWNER'S INSURANCE OR AT THE TIME THE POLICY IS
24 ISSUED, WITH A WRITTEN STATEMENT THAT IS CLEAR AND SPECIFIC AND INDICATES
25 THAT A STANDARD HOMEOWNER'S INSURANCE POLICY DOES NOT INCLUDE FLOOD
26 INSURANCE.

27 (B) THE STATEMENT SHALL:

28 (1) STATE THAT A STANDARD HOMEOWNER'S INSURANCE POLICY DOES
29 NOT COVER LOSSES FROM FLOOD;

30 (2) STATE THAT FLOOD INSURANCE IS AVAILABLE THROUGH THE
31 NATIONAL FLOOD INSURANCE PROGRAM;

32 (3) PROVIDE THE CONTACT INFORMATION FOR THE NATIONAL FLOOD
33 INSURANCE PROGRAM;

34 (4) INDICATE WHETHER THE INSURER OR INSURANCE PRODUCER
35 SELLS FLOOD INSURANCE;

1 (5) STATE THAT THE APPLICANT SHOULD DETERMINE WHETHER FLOOD
2 INSURANCE IS REQUIRED BY LAW BY CONTACTING THE NATIONAL FLOOD
3 INSURANCE PROGRAM OR THE APPLICANT'S MORTGAGE LENDER; AND

4 (6) STATE THAT IF THE INSURER OR INSURANCE PRODUCER SELLS
5 FLOOD INSURANCE AND THE APPLICANT DETERMINES THE NEED FOR FLOOD
6 INSURANCE, THE APPLICANT MAY REQUEST FROM THE INSURER OR INSURANCE
7 PRODUCER A FEDERAL EMERGENCY MANAGEMENT AGENCY APPLICATION FOR
8 FLOOD INSURANCE UNDER THE NATIONAL FLOOD INSURANCE PROGRAM.

9 (C) THE STATEMENT REQUIRED UNDER THIS SECTION IS NOT PART OF THE
10 POLICY OR CONTRACT OF INSURANCE AND DOES NOT CREATE A PRIVATE RIGHT OF
11 ACTION.

12 19-207.

13 (A) AN INSURER OR AN INSURANCE PRODUCER THAT SELLS HOMEOWNER'S
14 INSURANCE IN THE STATE SHALL PROVIDE AN APPLICANT, AT THE TIME OF INITIAL
15 APPLICATION FOR HOMEOWNER'S INSURANCE OR AT THE TIME THE POLICY IS
16 ISSUED, WITH A WRITTEN STATEMENT THAT IS CLEAR AND SPECIFIC AND
17 SUMMARIZES THE ADDITIONAL OPTIONAL COVERAGES AVAILABLE FROM THE
18 INSURER.

19 (B) THE STATEMENT SHALL:

20 (1) STATE THAT A STANDARD HOMEOWNER'S INSURANCE POLICY DOES
21 NOT COVER ALL RISKS AND THAT THE POLICYHOLDER MAY NEED TO OBTAIN
22 ADDITIONAL OPTIONAL COVERAGE TO INSURE AGAINST LOSS OR DAMAGE TO THE
23 POLICYHOLDER'S HOME, PROPERTY, AND THE CONTENTS OF THE POLICYHOLDER'S
24 HOME, OR TO COVER RISKS RELATED TO BUSINESS OR PERSONAL ACTIVITIES ON
25 THE POLICYHOLDER'S PROPERTY; AND

26 (2) LIST THE TYPES OF ADDITIONAL OPTIONAL COVERAGES THAT ARE
27 AVAILABLE FROM THE INSURER.

28 (C) THE STATEMENT REQUIRED UNDER THIS SECTION IS NOT PART OF THE
29 POLICY OR CONTRACT OF INSURANCE AND DOES NOT CREATE A PRIVATE RIGHT OF
30 ACTION.

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

34 SECTION ~~3-4.~~ AND BE IT FURTHER ENACTED, That this Act shall take
35 effect January 1, 2006.

