

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 64
Economic Matters

(Delegate Trueschler)

Finance

Homeowner's Insurance - Offer and Summary of Coverage

This bill requires: (1) an insurer that issues or delivers a homeowner's insurance policy to provide a policyholder with an annual statement that summarizes the coverages and exclusions under the policy; (2) an insurer or insurance producer to provide an applicant for homeowner's insurance with a notice stating that the standard homeowner's insurance policy does not cover losses from flood; and (3) an insurer or insurance producer to provide an applicant for homeowner's insurance with a notice regarding additional optional coverage available.

The bill takes effect January 1, 2006 and applies to personal lines homeowner's insurance policies and contracts issued, delivered, or renewed on or after January 1, 2006.

Fiscal Summary

State Effect: Enforcement of the bill's provisions and any complaints resulting from the bill could be handled with the existing resources of the Maryland Insurance Administration (MIA). MIA advises that insurers would not need to file the statements with MIA; therefore, revenues would not be affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill requires the insurer's statement to be clear and specific and to state the method of loss payment for covered structures and contents.

The statement must include a disclosure stating specified information about the coverages under the policy and the statement. The statement is not part of the policy or contract of insurance and does not create a private right of action. All rights, duties, and obligations are controlled by the policy.

The bill requires an insurer or 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. The notice must also advise the applicant to confirm the need for flood insurance from the National Flood Insurance Program or the applicant's mortgage lender. If the insurer or insurance producer also sells flood insurance, the insurer or 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 insurer or producer does not sell flood insurance, the insurer or producer must furnish the applicant with contact information for the National Flood Insurance Program. The notice does not create a private right of action.

At the time of an application for homeowner's insurance, an insurer or insurance producer must provide the applicant with a written statement that lists all additional optional coverage available from the insurer to the applicant. The statement must contain specified information about additional optional coverage.

If an application is made by phone or using the Internet, the insurer or insurance producer is deemed to be in compliance with the notice requirement regarding additional optional coverage if, within three business days after the date of application, the insurer or insurance producer mails the statement to the insured and requests the insured to sign the statement. If the applicant or insured does not return the signed statement within 60 days after it was mailed, there is a conclusive presumption that the insurer or insurance producer has complied with the notice requirement. The insurer or insurance producer has the burden of demonstrating that the statement was mailed to the applicant or insured.

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.

Additional Information

Prior Introductions: Similar legislation, HB 1071 and SB 585, was introduced during the 2004 session. SB 585 was amended and passed in the Senate. It was referred to the Rules and Executive Nominations Committee and later the Economic Matters Committee in the House, where no further action was taken. HB 1071 was amended and passed in the House and again in the Senate. The House refused to concur to the Senate amendments and appointed conferees. The Senate did not appoint conferees or recede from its position.

Cross File: None.

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

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