

**Department of Legislative Services**  
Maryland General Assembly  
2005 Session

**FISCAL AND POLICY NOTE**

House Bill 117  
Economic Matters

(Delegate F. Turner, *et al.*)

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**Homeowner's Insurance - Coverage for Mold and Mold Remediation**

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This bill requires an insurer that issues or delivers a homeowner's insurance policy or contract to provide coverage for loss that results from mold or mold remediation if the mold is proximately caused by a peril that is otherwise covered under the policy or contract. The bill establishes a minimum aggregate coverage limit for mold and mold remediation of \$15,000 for a loss relating to the covered property or contents and covered losses of third parties. The bill also prohibits an insurer from charging an additional deductible for a mold remediation claim.

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**Fiscal Summary**

**State Effect:** Special fund revenues would increase in FY 2006 to the extent homeowner's insurers file rates, rules, and forms with the Maryland Insurance Administration (MIA) under the bill. General fund revenues from the 2% premium tax would increase to the extent insurers raise rates because of the bill. Expenditures would not be affected.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Coverage for mold-related damage under a homeowner's insurance policy is not specifically regulated by statute.

**Background:** In June 2003, MIA reversed an earlier ruling and authorized exclusion of mold-related damage from homeowner's insurance. Some homeowner's insurers cover mold-related damage or mold remediation if the mold is caused by a peril that is otherwise covered under the policy or contract. The limits under these policies vary. Other homeowner's insurers exclude all mold-related damage and mold remediation.

**State Revenues:** MIA advises that 149 licensed homeowner's insurers in the State report written premium. Each of these may have several insurance products for which a rate, a rule, and/or form would be filed under the bill. Each rate, rule, and form filed would be subject to the \$125 rate and form filing fee. For illustrative purposes, if 75 of the current sellers of homeowner's insurance filed one rate and one form, revenues for the Insurance Regulation Fund would increase by \$18,750 in fiscal 2006.

General fund revenues from the premium tax administered by MIA would increase to the extent insurers increase rates because of the bill. Any such increase cannot be accurately estimated but is assumed to be minimal.

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### **Additional Information**

**Prior Introductions:** A similar bill, HB 816, was introduced during the 2004 session and received an unfavorable report from the House Economic Matters Committee.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 8, 2005  
mam/ljm

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