

Department of Legislative Services  
Maryland General Assembly  
2005 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 437

(Senator Stone)

Finance

Economic Matters

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**Homeowner's Insurance - Statements Regarding Coverages**

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This bill requires an insurer that issues a homeowner's insurance policy to provide a policyholder with an annual statement that summarizes the coverages and exclusions under the policy.

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.

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**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.

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**Analysis**

**Bill Summary:** The bill requires the insurer's statement to be clear and specific and to state the method of loss payment and other specified information.

The bill requires an insurance producer to provide an applicant for homeowner's insurance, at the time of the application or when the policy is issued, a clear and specific

written notice that indicates 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 and other specified information.

At the time of an initial application for homeowner's insurance or at the time the policy is issued, the insurance producer must provide an applicant with a clear and specific statement that summarizes the additional optional coverages available from the insurer to the applicant. The statement must be in writing and contain specified information about the optional coverages.

The statements are not part of a policy and do not create a private right of action.

**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.

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### **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:** HB 64 (Delegate Trueschler) – Economic Matters.

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

**Fiscal Note History:** First Reader - February 16, 2005  
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