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Assigned to: Economic Matters

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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 clear and specific; describing the  
 6 information that must be included in the statement; providing that the  
 7 statement is not part of the policy or contract of insurance; requiring certain  
 8 insurers or insurance producers to provide certain applicants with a certain  
 9 notice regarding flood insurance; requiring the notice to be in a certain form;  
 10 requiring the notice to include certain information; requiring certain insurers or  
 11 insurance producers to furnish certain applicants with certain contact  
 12 information; providing that the notice does not create a private right of action;  
 13 requiring certain insurers or insurance producers to provide a certain written  
 14 statement to certain applicants at a certain time; requiring certain insurers or  
 15 insurance producers to obtain a certain signature on the statement; providing  
 16 that if a certain application is made by telephone or using the Internet, an  
 17 insurer or insurance producer shall be in compliance with certain provisions of  
 18 law if, within a certain period of time, the insurer or insurance producer mails a  
 19 certain statement to an applicant or insured; providing that if an applicant or  
 20 insured does not return a signed statement within a certain period of time there  
 21 is a conclusive presumption that an insurer or insurance producer has complied  
 22 with certain provisions of law; providing that an insurer or insurance producer  
 23 has the burden of demonstrating, in accordance with the Maryland Rules of  
 24 Evidence or as otherwise provided by law, that the statement was mailed to an  
 25 applicant or insured; requiring certain disclosures and information to be  
 26 included in the statement; providing for the application of this Act; defining  
 27 certain terms; providing for a delayed effective date; and generally relating to  
 28 homeowner's insurance.

29 BY renumbering

30 Article - Insurance

31 Section 19-201 through 19-203, respectively

32 to be Section 19-202 through 19-204, respectively

33 Annotated Code of Maryland

1 (2002 Replacement Volume and 2005 Supplement)

2 BY adding to

3 Article - Insurance

4 Section 19-201 and 19-205 through 19-207, inclusive

5 Annotated Code of Maryland

6 (2002 Replacement Volume and 2005 Supplement)

7 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

8 MARYLAND, That Section(s) 19-201 through 19-203, respectively, of Article -

9 Insurance of the Annotated Code of Maryland be renumbered to be Section(s) 19-202  
10 through 19-204, respectively.

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

13 **Article - Insurance**

14 19-201.

15 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS  
16 INDICATED.

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

21 (C) "INSURER" MEANS AN INSURER THAT ISSUES OR DELIVERS A POLICY OF  
22 HOMEOWNER'S INSURANCE IN THE STATE.

23 19-205.

24 (A) (1) AN INSURER SHALL PROVIDE A POLICYHOLDER WITH AN ANNUAL  
25 STATEMENT THAT SUMMARIZES THE COVERAGES AND EXCLUSIONS UNDER THE  
26 POLICY.

27 (2) THE INSURER'S STATEMENT SHALL BE CLEAR AND SPECIFIC.

28 (3) THE INSURER'S STATEMENT SHALL STATE THE METHOD OF LOSS  
29 PAYMENT FOR COVERED STRUCTURES AND CONTENTS.

30 (4) THE INSURER'S STATEMENT SHALL INCLUDE A DISCLOSURE THAT  
31 STATES:

32 (I) THE POLICYHOLDER SHOULD READ THE POLICY FOR  
33 COMPLETE INFORMATION ON COVERAGES AND EXCLUSIONS;

1 (II) THE POLICYHOLDER SHOULD REFER TO THE DECLARATIONS  
2 PAGE FOR A LISTING OF COVERAGES PURCHASED;

3 (III) THE POLICYHOLDER SHOULD COMMUNICATE WITH THE  
4 INSURANCE PRODUCER OR THE INSURER FOR ANY ADDITIONAL INFORMATION  
5 REGARDING THE SCOPE OF COVERAGES IN THE POLICY;

6 (IV) THE STATEMENT DOES NOT INCLUDE ADDITIONAL OPTIONAL  
7 COVERAGE PURCHASED BY THE POLICYHOLDER, IF ANY;

8 (V) THE STATEMENT IS NOT PART OF THE POLICY OR CONTRACT  
9 OF INSURANCE AND DOES NOT CREATE A PRIVATE RIGHT OF ACTION; AND

10 (VI) ALL RIGHTS, DUTIES, AND OBLIGATIONS ARE CONTROLLED BY  
11 THE POLICY AND CONTRACT OF INSURANCE.

12 (B) THE STATEMENT UNDER SUBSECTION (A) OF THIS SECTION IS NOT PART  
13 OF THE POLICY OR CONTRACT OF INSURANCE.

14 19-206.

15 (A) AN INSURER OR AN INSURANCE PRODUCER THAT SELLS OR NEGOTIATES  
16 HOMEOWNER'S INSURANCE IN THE STATE SHALL PROVIDE AN APPLICANT, AT THE  
17 TIME A POLICY OF HOMEOWNER'S INSURANCE IS INITIALLY PURCHASED, WITH A  
18 WRITTEN NOTICE THAT STATES THAT A STANDARD HOMEOWNER'S INSURANCE  
19 POLICY DOES NOT COVER LOSSES FROM FLOOD.

20 (B) THE NOTICE SHALL STATE THAT FLOOD INSURANCE IS AVAILABLE  
21 THROUGH THE NATIONAL FLOOD INSURANCE PROGRAM.

22 (C) (1) IF THE INSURER OR INSURANCE PRODUCER FROM WHOM AN  
23 APPLICANT PROCURES HOMEOWNER'S INSURANCE SELLS FLOOD INSURANCE, THE  
24 INSURER OR INSURANCE PRODUCER SHALL OFFER TO SELL FLOOD INSURANCE TO  
25 THE APPLICANT.

26 (2) AN OFFER TO SELL FLOOD INSURANCE SHALL:

27 (I) BE IN WRITING;

28 (II) STATE THAT THE COST OF FLOOD INSURANCE IS NOT PART OF  
29 THE PREMIUM FOR THE STANDARD HOMEOWNER'S INSURANCE POLICY;

30 (III) STATE THE TYPE AND COST OF FLOOD INSURANCE COVERAGE  
31 TO BE SOLD, INCLUDING COVERAGE FOR:

32 1. STRUCTURES; AND

33 2. CONTENTS; AND

1 (IV) ADVISE THE APPLICANT TO CONFIRM THE NEED FOR FLOOD  
2 INSURANCE WITH THE NATIONAL FLOOD INSURANCE PROGRAM OR THE  
3 APPLICANT'S MORTGAGE LENDER.

4 (D) (1) AN INSURER OR INSURANCE PRODUCER SHALL DELIVER TO THE  
5 APPLICANT THE OFFER TO SELL FLOOD INSURANCE.

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

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

12 (F) A NOTICE PROVIDED UNDER THIS SECTION DOES NOT CREATE A PRIVATE  
13 RIGHT OF ACTION.

14 19-207.

15 (A) (1) AN INSURER OR AN INSURANCE PRODUCER THAT SELLS OR  
16 NEGOTIATES HOMEOWNER'S INSURANCE IN THE STATE SHALL PROVIDE AN  
17 APPLICANT, AT THE TIME OF APPLICATION FOR HOMEOWNER'S INSURANCE, WITH A  
18 WRITTEN STATEMENT THAT LISTS ALL ADDITIONAL OPTIONAL COVERAGE  
19 AVAILABLE FROM THE INSURER TO THE APPLICANT.

20 (2) THE INSURER OR INSURANCE PRODUCER SHALL OBTAIN THE  
21 APPLICANT'S SIGNATURE ON THE STATEMENT.

22 (3) (I) IF AN APPLICATION IS MADE BY TELEPHONE OR USING THE  
23 INTERNET, THE INSURER OR INSURANCE PRODUCER IS DEEMED TO BE IN  
24 COMPLIANCE WITH THIS SECTION IF, WITHIN 3 BUSINESS DAYS AFTER THE DATE OF  
25 APPLICATION, THE INSURER OR INSURANCE PRODUCER MAILES THE STATEMENT TO  
26 THE APPLICANT OR INSURED AND REQUESTS THE APPLICANT OR INSURED TO SIGN  
27 THE STATEMENT.

28 (II) IF THE APPLICANT OR INSURED DOES NOT RETURN A SIGNED  
29 STATEMENT WITHIN 60 DAYS AFTER THE DATE THE STATEMENT WAS MAILED,  
30 THERE IS A CONCLUSIVE PRESUMPTION THAT THE INSURER OR INSURANCE  
31 PRODUCER HAS COMPLIED WITH THE REQUIREMENTS OF THIS SECTION.

32 (III) THE INSURER OR INSURANCE PRODUCER SHALL HAVE THE  
33 BURDEN OF DEMONSTRATING, IN ACCORDANCE WITH THE MARYLAND RULES OF  
34 EVIDENCE, OR AS OTHERWISE REQUIRED BY LAW, THAT THE STATEMENT WAS  
35 MAILED TO THE APPLICANT OR INSURED.

36 (B) THE STATEMENT SHALL:

37 (1) BE ON A SEPARATE FORM;

1 (2) BE TITLED, IN AT LEAST 12 POINT TYPE, "ADDITIONAL OPTIONAL  
2 COVERAGE NOT INCLUDED IN THE STANDARD HOMEOWNER'S INSURANCE POLICY";

3 (3) CONTAIN THE FOLLOWING DISCLOSURE IN AT LEAST 10 POINT TYPE:

4 "YOUR STANDARD HOMEOWNER'S INSURANCE POLICY DOES NOT COVER ALL  
5 RISKS. YOU MAY NEED TO OBTAIN ADDITIONAL INSURANCE TO COVER LOSS OR  
6 DAMAGE TO YOUR HOME, PROPERTY, AND THE CONTENTS OF YOUR HOME OR TO  
7 COVER RISKS RELATED TO BUSINESS OR PERSONAL ACTIVITIES ON YOUR PROPERTY.

8 THIS STATEMENT PROVIDES A LIST OF THE TYPES OF ADDITIONAL INSURANCE  
9 COVERAGE THAT ARE AVAILABLE. CONTACT YOUR INSURANCE COMPANY,  
10 INSURANCE PRODUCER, OR INSURANCE AGENT TO DISCUSS THESE ADDITIONAL  
11 COVERAGES.";

12 (4) CONTAIN A LIST OF ADDITIONAL OPTIONAL COVERAGE; AND

13 (5) CONTAIN THE FOLLOWING DISCLOSURE ABOVE THE LINE  
14 DESIGNATED FOR THE APPLICANT'S SIGNATURE:

15 "I UNDERSTAND THAT THE TYPES OF ADDITIONAL INSURANCE COVERAGE  
16 LISTED IN THIS STATEMENT ARE NOT INCLUDED IN THE STANDARD HOMEOWNER'S  
17 INSURANCE POLICY. I UNDERSTAND THAT I MUST CONTACT MY INSURANCE  
18 COMPANY, INSURANCE PRODUCER, OR INSURANCE AGENT IF I WANT TO DISCUSS OR  
19 PURCHASE ADDITIONAL INSURANCE. I ALSO UNDERSTAND THAT THIS STATEMENT  
20 OF ADDITIONAL COVERAGES, OR ANY DEFICIENCY IN IT, CANNOT BE USED BY ME OR  
21 ANY OTHER PERSON TO BRING A PRIVATE LAWSUIT AGAINST THE INSURANCE  
22 COMPANY, ITS INSURANCE PRODUCERS, OR ITS AGENTS."

23 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall apply to all  
24 personal lines homeowner's insurance policies and contracts issued, delivered, or  
25 renewed on or after January 1, 2007.

26 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect  
27 January 1, 2007.