

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1261
Economic Matters

(Delegate Trueschler, *et al.*)

Finance

Homeowner's Insurance - Summary of Coverage , Notice Regarding Flood Insurance, and Statement of Additional Optional 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, 2007 and applies to personal lines homeowner's insurance policies and contracts issued, delivered, or renewed on or after January 1, 2007.

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: (1) be clear and specific; and (2) state whether the policy's coverages provide for replacement cost, actual cash value, or other 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 Maryland Insurance Commissioner may adopt regulations to implement the provisions regarding the annual statement.

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 bill specifies the circumstances under which an application is deemed to be in compliance when made by telephone or by using the Internet. The notice must state that flood insurance may be available through the National Flood Insurance Program or other sources. The notice must advise the applicant to: (1) contact the National Flood Insurance Program, the applicant's insurer, or the applicant's insurance producer for information about flood insurance; and (2) advise the applicant to confirm the need for flood insurance from the National Flood Insurance Program or the applicant's mortgage lender. The notice must also advise the applicant about other specified information about flood insurance. A notice required to be sent by certificate of mailing may be sent with the statement regarding optional coverage available from the insurer. 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. The bill specifies the circumstances under which an application is deemed to be in compliance when made by telephone or by using the Internet. A statement required to be sent by certificate of mailing may be sent with the notice regarding flood insurance.

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: As amended by the House, HB 64 of 2005, was similar to this bill. The bill was amended further and passed the Senate; however, no further action was taken. Similar bills, SB 437 of 2005, HB 1071 of 2004, and SB 585 of 2004, were recently introduced. SB 437 of 2005 was amended and passed the Senate; it was referred to the Economic Matters Committee, where no further action was taken. SB 585 of 2004 was amended and passed in the Senate; it was referred to the Economic Matters Committee, where no further action was taken. HB 1071 of 2004 was amended and passed in the House and again in the Senate; however, no further action was taken.

Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts), Maryland Insurance Administration, Department of Legislative Services

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