

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 494
Economic Matters

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

Homeowner's Insurance - Coverage for Mold and Mold Remediation

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.

Fiscal Summary

State Effect: Special fund revenues would increase in FY 2007 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.

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 128 licensed homeowner's insurers in the State reported written premium in 2004, the last period for which the data are available. 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 2007.

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.

Additional Information

Prior Introductions: An identical bill, HB 117 of 2005, and a similar bill, HB 816 of 2004, both received unfavorable reports from the Economic Matters Committee.

Cross File: None.

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

Fiscal Note History: First Reader - February 3, 2006
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