

**Department of Legislative Services**  
 Maryland General Assembly  
 2007 Session

**FISCAL AND POLICY NOTE**

Senate Bill 494 (Senator Stone)  
 Finance

**Homeowner's Insurance - Coverage Beyond Coastal Areas**

This bill requires an insurer that provides homeowner’s insurance to provide coverage beyond a “coastal area.” Under the bill, coastal area means land within 50 feet of the State’s coastal waters and includes land area contiguous to and within 50 feet of the Atlantic Ocean, the Chesapeake Bay, and major estuaries or streams emptying into either of these bodies of water.

The bill applies to personal lines homeowner’s insurance policies and contracts issued, delivered, or renewed on or after October 1, 2007.

**Fiscal Summary**

**State Effect:** Special fund revenues would increase by approximately \$12,500 from filing fees in FY 2008 because of insurer filings under the bill. General fund revenues from the insurance premium tax would increase to the extent insurers increase rates because of the bill. Enforcement of the bill could be handled with the existing budgeted resources of the Maryland Insurance Administration (MIA).

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
GF Revenue	-	-	-	-	-
SF Revenue	12,500	0	0	0	0
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$12,500	\$0	\$0	\$0	\$0

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** None.

**Small Business Effect:** Minimal.

## Analysis

**Current Law:** Whether an insurer offers homeowner's insurance in a coastal area is not regulated.

**Background:** In 2006, Allstate announced that it would stop writing new policies in specified coastal areas. Allstate stated that it would continue to renew existing insurance policies in coastal areas. Allstate currently has over 300,000 homeowner's insurance policyholders in Maryland, which represents a 13.7% market share in the State. More recently, Allstate announced that it would put its action on hold until it answered questions from State agencies, including questions about its finances and hurricane forecasting models.

**State Revenues:** MIA estimates that approximately 100 insurers would make one filing each to comply with the bill. Each filing is subject to the \$125 filing fee.

General fund revenue from the 2% insurance premium tax would increase to the extent insurers increase homeowner's insurance rates because of the bill. The amount of any such increase cannot be accurately estimated but is assumed to be minimal.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** HB 620 (Delegate Minnick, *et al.*) – Economic Matters.

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

**Fiscal Note History:** First Reader - February 19, 2007  
ncs/ljm

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