

Department of Legislative Services  
Maryland General Assembly  
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 971

(Senator Stone)

Finance

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Homeowner's Insurance - Assignment of Policy on Sale of Property

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This bill permits the holder of a homeowners' insurance policy to assign the policy to a purchaser of the covered property notwithstanding any provision in the policy that prohibits or limits such assignment. Under the bill, such an assignment is required to be in writing, and the purchaser of the property is required to send a copy of the contract of assignment to the insurer by first-class mail within 30 days after assignment. The bill states that it applies only to policies issued, delivered, or renewed in the State on or after October 1, 2008.

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Fiscal Summary

**State Effect:** The bill would not directly affect State finances or operations.

**Local Effect:** The bill would not directly affect local finances or operations.

**Small Business Effect:** Potential minimal.

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Analysis

**Current Law:** State law is currently silent on the enforceability of provisions in contracts for homeowners' insurance that prohibit or restrict the policyholder's ability to assign the policy to a purchaser of the covered property.

**Background:** Homeowners' insurance has become the focus of recent attention due to decisions by several large insurers that have reduced the availability of such insurance in some areas of the State. In recent years, a number of large insurance companies have

made decisions to stop offering property insurance in coastal areas due to an increased risk of hurricane damage linked to rising ocean temperatures. This trend began in Florida after 1992's Hurricane Andrew, a category-five hurricane that caused an estimated \$26.5 billion in damage.

Recently, a number of insurance companies including Allstate, Liberty Mutual, Nationwide Mutual, and State Farm have decided to stop offering property insurance in Mid-Atlantic coastal areas, including many counties in Maryland. In Florida, Mississippi, and Louisiana, this same trend has led to state-run insurance pools becoming overwhelmed by consumers who can no longer obtain property insurance from private companies due to the geographic locations of their properties.

On February 11, 2008, the Maryland Insurance Commissioner announced a decision accepting Allstate's move to refuse new homeowners' insurance policies in specific coastal areas, holding that the company's decision did not violate existing State law.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 14, 2008  
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