

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 405

(Chair, Economic Matters Committee) (By Request –
Departmental – Insurance Administration, Maryland)

Economic Matters

Finance

**Homeowner's Insurance - Loss from Water and Sewer Backup - Offer of
Coverage**

This departmental bill specifies that an insurer issuing, *selling*, or delivering homeowner's insurance policies in the State must offer the insured *in writing* the opportunity to purchase coverage for sewer or drain water backup damage at the time of initial policy application *and* at each renewal.

If an application or renewal is made by telephone, the insurer is in compliance with the bill's requirements if the insurer sends the offer to the applicant or insured by certificate of mailing within seven calendar days after the date of application or renewal. If an application or renewal is made using the Internet, the insurer is in compliance if the insurer provides the offer to the applicant or insured prior to submission of the application or renewal.

Fiscal Summary

State Effect: None. The bill codifies existing practice of the Maryland Insurance Administration.

Local Effect: None.

Small Business Effect: MIA has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: An insurer that issues or delivers a homeowner's insurance policy must offer to provide coverage for loss that is caused by or results from water that backs up through sewers or drains and is not caused by the negligence of the insured.

Background: The Maryland Insurance Administration has adopted and enforced the position that the mandatory offer of water backup damage coverage must be provided by insurers at the time of both policy renewal as well as initial application. MIA reports that insurers are generally aware of this policy, and that the Administration seeks to codify this existing practice.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 11, 2008
mcp/ljm Revised - House Third Reader - March 21, 2008

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