SB 957

Department of Legislative Services

Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 957 (Senator Stone)
Finance

Homeowner's Insurance - Issuance and Renewal of Policies in Certain Geographic Areas

This bill prohibits an insurer from refusing to issue or renew a policy of homeowners' insurance *solely* because the subject of the risk or the applicant's or insured's address is located in a certain geographic area of the State. The bill applies to all • applications for homeowner's insurance policies and contracts received; and • homeowner's insurance policies and contracts issued, delivered, or renewed in the State on or after October 1, 2008.

Fiscal Summary

State Effect: Special fund revenues from the $125 filing fee collected by the Maryland Insurance Administration could increase in FY 2009 to the extent that insurers file forms to reflect the bill's changes. The number of these filings cannot be accurately estimated but is likely to be minimal. Expenditures would not be affected.

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

Small Business Effect: Potential minimal.

Analysis

Current Law: Insurers are currently prohibited from refusing to issue or renew a contract of motor vehicle, property, or casualty insurance solely because the subject of the risk or the policy holder's address is located in a certain geographic area of the State, unless • the insurer has filed with the Commissioner, at least 60 days before the refusal, a written statement designating the geographic area; and • the designation has an objective basis and is not arbitrary or unreasonable. Such statements are public records. Currently, the approval of the Commissioner is not required for an insurer to change underwriting policies in order to implement geographic coverage restrictions.

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.

Additional Comments: The bill states that an insurer is prohibited from refusing to issue or renew a homeowners' insurance policy *solely* because of geographic location but does not define the term "solely." Therefore, under the bill insurers could still be able to refuse to issue or renew such policies if they paired geographic restrictions with other factors (*e.g.*, potential insolvency or type of construction).

Additional Information

Prior Introductions: None.

Cross File: None.

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

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