

Department of Legislative Services
2010 Session

FISCAL AND POLICY NOTE

Revised

Senate Bill 906

(Senator Stone)

Finance

Rules and Executive Nominations

Homeowner's Insurance - Coverage for Loss Caused by Discharge of Water - Study

This bill requires the Maryland Insurance Administration (MIA) to conduct a consumer study relating to the existence and scope of homeowner's insurance coverage for loss from the discharge of water arising from a plumbing system or source located on or off the insured premises, including a discharge from a water main break. In conducting the study, MIA must consult with industry representatives and the People's Insurance Counsel. By December 1, 2010, MIA has to report its findings and recommendations to specified General Assembly committees.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: The required study can be performed with the existing budget resources of MIA.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: 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.

For the initial offer at the time of application, an insurer may make the offer for coverage for loss arising from water damage as part of the application itself, or include the offer of coverage in a separate form as part of the application records. At renewal, an insurer may

notify the insured of the option of purchasing coverage for loss caused by water damage by including an offer of coverage in the renewal package. The renewal offer must clearly state that the offer is mandatory, and include language that instructs the insured on how to obtain coverage for loss arising from water damage should the insured elect to purchase a policy.

Background: Chapter 72 of 2008 amended the Insurance Article to require that the mandatory offer of coverage for loss arising from water damage be made in writing at the time of the initial application and at each renewal.

Additional Information

Prior Introductions: None.

Cross File: HB 1149 (Delegate Carter, *et al.*) - Judiciary.

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

Fiscal Note History: First Reader - March 4, 2010
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