

Department of Legislative Services  
Maryland General Assembly  
2010 Session

FISCAL AND POLICY NOTE

House Bill 1088  
Economic Matters

(Delegate Minnick, *et al.*)

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

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This bill requires all insurers writing homeowner's insurance in the State to offer coverage for loss that (1) is caused by or results from a 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; and (2) is not caused by the negligence of the insured.

The bill applies prospectively to a homeowner's insurance policy issued, delivered, or sold in the State, on or after October 1, 2010.

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Fiscal Summary

**State Effect:** Special fund revenues from the \$125 filing fee collected by the Maryland Insurance Administration (MIA) increase in FY 2011 to the extent that insurers are required to amend their contracts and forms to comply with the bill. The number of these filings cannot be accurately estimated. Expenditures are not affected, as consumer complaints are likely to decrease with greater insurance coverage afforded for losses arising from water damage.

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

**Small Business Effect:** Potential minimal.

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Analysis

**Bill Summary:** The bill requires an insurer to include a specific statement of the coverage provided in the written offer provided to the consumer. If an application or

renewal is made by telephone, the insurer must send the offer to the applicant by certificate of mailing within seven calendar days after the date of the application or renewal. Likewise, if the application or renewal occurs via the Internet, the insurer must provide the offer to the applicant or insured before the submission of the application or renewal.

Beginning October 1, 2011, an insurer that writes homeowner's insurance policies must report to MIA each year (1) the number of new and renewal applicants who purchase the water damage coverage specified in the bill; and (2) the average premium assessed by the insurer for the insurer's book of business.

**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.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 906 (Senator Stone) - Finance.

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

**Fiscal Note History:** First Reader - March 4, 2010  
ncs/ljm

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