

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1082
Economic Matters

(Delegates Braveboy and Hucker)

Finance

Homeowner's Insurance - Model Information - People's Insurance Counsel

If an insurer uses a catastrophic risk planning model or other model to set homeowner's insurance rates or refuse to issue or renew a homeowner's policy because of the geographic location of the risk, the insurer must make arrangements for the vendor of the model to explain to the People's Insurance Counsel the data used in the model and the manner in which the output is obtained. The People's Insurance Counsel must maintain the confidentiality of any proprietary and confidential commercial information it has obtained.

The bill takes effect June 1, 2011.

Fiscal Summary

State Effect: The bill does not materially affect State finances or operations.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: If an insurer uses a catastrophic risk planning model or other model in setting homeowner's insurance rates or refusing to issue or renew homeowner's insurance because of the geographic location of the risk, the insurer must (1) file with the Commissioner a description of the specific model; and (2) make arrangements for the vendor of the model to explain to the Commissioner the data used in the model and the

manner in which the output is obtained. If the insurer changes the model, the insurer must notify the Commissioner of the change and file the required description.

The information contained in the filings is proprietary and confidential commercial information as protected by the State Government Article.

Furthermore, an insurer may not refuse to issue or renew a property and casualty insurance policy solely because the subject of risk is located in a specified geographic area, unless (1) the insurer has filed, at least 60 days before the refusal, with the Commissioner a written statement designating the geographic area; and (2) the designation has an objective basis and is not arbitrary or unreasonable. The information contained in the filings is a public record.

Background: The division was created in 2005 by the enactment of the Maryland Patients' Access to Quality Health Care Act of 2004. According to the division's fiscal 2010 annual report, it reviewed 666 homeowner's insurance rate filings made with the Maryland Insurance Administration in the fiscal year. Many of these filings related to insurers' decisions to discontinue underwriting policies in coastal areas. Several insurers have argued that filings containing their catastrophe underwriting models are protected as confidential commercial information.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration, People's Insurance Counsel Division, Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2011
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Analysis by: Michael F. Bender

Direct Inquiries to:
(410) 946-5510
(301) 970-5510