

**Department of Legislative Services**  
Maryland General Assembly  
2011 Session

**FISCAL AND POLICY NOTE**

House Bill 548 (Delegate Braveboy)  
Economic Matters

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**Homeowner's Insurance - Notice of Underwriting Standards**

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This bill requires insurers to include a summary of the insurer's underwriting standards for insurance eligibility in the insurer's annual statement to a policyholder. The annual statement must also advise the policyholder to communicate with the insurance producer or the insurer for any additional information regarding the insurer's underwriting standards for insurance eligibility.

The bill applies to all policies issued, delivered, or renewed in the State on or after October 1, 2011.

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**Fiscal Summary**

**State Effect:** The bill does not directly affect governmental operations or finances.

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

**Small Business Effect:** None.

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**Analysis**

**Current Law:** An insurer must provide a clear and specific annual statement to each policyholder. The annual statement must summarize the coverages and exclusions under the policy issued by the insurer; state whether the coverages under the policy provide for replacement cost, actual cash value, or other method of loss payment for covered structures and contents; and include the following disclosures stating that:

- the policyholder should read the policy for complete information on coverages and exclusions;
- the policyholder should refer to the declarations page for a listing of coverages purchased;
- the policyholder should communicate with the insurance producer or insurer for any additional information regarding the scope of coverages in the policy;
- the statement does not include additional optional coverage purchased by the policyholder, if any;
- the statement is not part of the policy or contract of insurance and does not create a private right of action;
- all rights, duties, and obligations are controlled by the policy and contract of insurance; and
- the standard homeowner's insurance policy does not cover losses from flood.

An insurer or insurance producer may not refuse to underwrite or require special conditions, facts, or situations as a condition to its acceptance of a particular insurance risk or class of risk for a reason based on race, color, creed, sex, or blindness of an applicant or policyholder or for any arbitrary, capricious, or unfairly discriminatory reason. Furthermore, an insurer or insurance producer may not refuse to underwrite a particular insurance risk or class of risk except for reasons reasonably related to the insurer's economic and business purposes.

**Background:** According to the U.S. Department of Labor, insurance underwriters identify and calculate the risk of loss from policyholders, establish who receives a policy, determine the appropriate premium, and write policies that cover this risk. An underwriter for a property and casualty insurance policy may consider the dangers inherent to the property's location or function, including hurricanes, floods, or earthquakes, and the possible safeguards against these dangers.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Insurance Administration, U.S. Department of Labor, Department of Legislative Services

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Analysis by: Michael F. Bender

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