

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1068
Economic Matters

(Delegate Burns, *et al.*)

Finance

Homeowner's Insurance - Limitation on Number of Claims Made - Notice

This bill requires an insurer that issues a homeowner's insurance policy in the State to provide an applicant or insured with a specified written notice at the time of application, issuance, and each renewal that states the insurer may cancel or refuse to renew coverage based on the number of claims, including weather-related claims, that may be made under the policy within a three-year period. The notice must also state that the cancellation or refusal may be based on (1) three or more weather-related claims; (2) one or more weather-related claims based on conditions at the property for which the insurer has provided specified written notice to the insured for reasonable or customary repairs or replacement specific to the property that the insured failed to make and would have prevented the loss if made; and (3) a change in the physical condition or contents of the property that increases the hazard insured against and that would have caused the insurer to refuse to issue the policy.

The bill applies to all homeowner's insurance policies and contracts issued, delivered, or renewed in the State on or after October 1, 2012.

Fiscal Summary

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

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

Small Business Effect: Minimal.

Analysis

Current Law: Generally, an insurer or insurance producer may not cancel or refuse to underwrite or renew a particular insurance risk or class of risk except by the application of standards that are reasonably related to the insurer's economic and business purposes.

In the case of homeowner's insurance, standards reasonably related to an insurer's economic and business purpose include, but are not limited to:

- a material misrepresentation in connection with the application, policy, or presentation of a claim;
- nonpayment of premium;
- a change in the physical condition or contents of the premises or dwelling that results in an increase in a hazard insured against and that, if present and known to the insurer prior to the issuance of the policy, would not have resulted in the issuance of the policy;
- a conviction of arson within the past five years or another crime that directly increases the hazard insured against within the past three years; or
- the claims history of the insured where the insured makes more than three claims within the past three years.

Standards reasonably related to economic and business purposes do not require statistical validation.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 1, 2012
mc/mwc Revised - House Third Reader - April 2, 2012
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