

HOUSE BILL 71

C4
HB 1383/12 – ECM

3lr1079

By: **Delegate O'Donnell**
Introduced and read first time: January 11, 2013
Assigned to: Economic Matters

Committee Report: Favorable
House action: Adopted
Read second time: February 27, 2013

CHAPTER _____

1 AN ACT concerning

2 **Homeowner's Insurance – Underwriting Based on Geographic Area**

3 FOR the purpose of establishing the requirements an insurer must meet before
4 refusing to issue or renew a policy of homeowner's insurance solely because the
5 insured property or the applicant's or insured's address is located within a
6 certain geographic area of the State; requiring an insurer to adopt a certain
7 underwriting standard and file the underwriting standard with the Maryland
8 Insurance Commissioner for approval; specifying the contents of a certain filing;
9 establishing that a certain underwriting standard may not take effect until a
10 certain number of days after it is filed with the Commissioner; establishing
11 certain exceptions; establishing certain requirements for a certain underwriting
12 standard; providing that certain information shall be open to public inspection;
13 authorizing the Commissioner to disapprove a filing under certain
14 circumstances; requiring the Commissioner to send certain notice of disapproval
15 of a filing under certain circumstances; requiring the Commissioner to hold a
16 hearing under certain circumstances; requiring the Commissioner to give
17 certain notice of the hearing; providing that certain provisions of law do not
18 apply to certain policies of homeowner's insurance; and generally relating to
19 underwriting standards for homeowner's insurance.

20 BY repealing and reenacting, with amendments,
21 Article – Insurance
22 Section 19–107
23 Annotated Code of Maryland
24 (2011 Replacement Volume and 2012 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 BY adding to
2 Article – Insurance
3 Section 19–215
4 Annotated Code of Maryland
5 (2011 Replacement Volume and 2012 Supplement)

6 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
7 MARYLAND, That the Laws of Maryland read as follows:

8 **Article – Insurance**

9 19–107.

10 **(A) THIS SECTION DOES NOT APPLY TO A POLICY OF HOMEOWNER’S**
11 **INSURANCE THAT IS SUBJECT TO § 19–215 OF THIS TITLE.**

12 **[(a)] (B)** An insurer may not refuse to issue or renew a contract of motor
13 vehicle insurance, property insurance, or casualty insurance solely because the subject
14 of the risk or the applicant’s or insured’s address is located in a certain geographic
15 area of the State unless:

16 (1) at least 60 days before the refusal, the insurer has filed with the
17 Commissioner a written statement designating the geographic area; and

18 (2) the designation has an objective basis and is not arbitrary or
19 unreasonable.

20 **[(b)] (C)** A statement filed with the Commissioner under this section is a
21 public record.

22 **19–215.**

23 **(A) AN INSURER MAY NOT REFUSE TO ISSUE OR RENEW A POLICY OF**
24 **HOMEOWNER’S INSURANCE SOLELY BECAUSE THE SUBJECT OF THE RISK OR**
25 **THE APPLICANT’S OR INSURED’S ADDRESS IS LOCATED IN A CERTAIN**
26 **GEOGRAPHIC AREA OF THE STATE UNLESS:**

27 **(1) THE INSURER HAS ADOPTED A WRITTEN UNDERWRITING**
28 **STANDARD DESIGNATING THE GEOGRAPHIC AREA;**

29 **(2) THE INSURER HAS FILED THE UNDERWRITING STANDARD FOR**
30 **APPROVAL BY THE COMMISSIONER; AND**

31 **(3) THE COMMISSIONER HAS APPROVED THE UNDERWRITING**
32 **STANDARD IN WRITING.**

1 **(B) THE FILING REQUIRED UNDER SUBSECTION (A) OF THIS SECTION**
2 **SHALL BE MADE AT LEAST 90 DAYS BEFORE THE INSURER PROPOSES TO**
3 **IMPLEMENT THE UNDERWRITING STANDARD IN THE STATE.**

4 **(C) THE FILING REQUIRED UNDER SUBSECTION (A) OF THIS SECTION**
5 **SHALL INCLUDE:**

6 **(1) A MAP OR OTHER DOCUMENT AND A RATING RULE THAT**
7 **IDENTIFIES THE GEOGRAPHIC AREAS IN WHICH WRITINGS WILL BE**
8 **RESTRICTED;**

9 **(2) A COPY OF THE UNDERWRITING STANDARD THAT THE**
10 **INSURER PROPOSES TO IMPLEMENT;**

11 **(3) THE DATA RELIED ON BY THE INSURER IN DEVELOPING THE**
12 **UNDERWRITING STANDARD; AND**

13 **(4) THE DATE ON WHICH THE INSURER INTENDS TO IMPLEMENT**
14 **THE UNDERWRITING STANDARD.**

15 **(D) (1) EXCEPT AS PROVIDED IN THIS SECTION, AN UNDERWRITING**
16 **STANDARD SUBJECT TO THIS SECTION MAY NOT TAKE EFFECT UNTIL 90 DAYS**
17 **AFTER IT IS FILED WITH THE COMMISSIONER.**

18 **(2) DURING THE INITIAL 90-DAY WAITING PERIOD, THE**
19 **COMMISSIONER MAY EXTEND THE WAITING PERIOD FOR AN ADDITIONAL**
20 **PERIOD, NOT TO EXCEED 30 DAYS, BY WRITTEN NOTICE TO THE INSURER THAT**
21 **THE COMMISSIONER NEEDS ADDITIONAL TIME FOR CONSIDERATION OF THE**
22 **FILING.**

23 **(3) IF THE COMMISSIONER REQUIRES ADDITIONAL**
24 **INFORMATION, THE WAITING PERIOD AND ANY ADDITIONAL PERIOD UNDER**
25 **THIS SECTION SHALL BE TOLLED AND SHALL BEGIN AGAIN ON THE DATE THE**
26 **NEEDED INFORMATION IS RECEIVED.**

27 **(4) A FILING IS DEEMED APPROVED UNLESS DISAPPROVED BY**
28 **THE COMMISSIONER DURING THE WAITING PERIOD OR ANY EXTENSION OF THE**
29 **WAITING PERIOD.**

30 **(E) IF THE COMMISSIONER FINDS THAT COMPLIANCE WITH**
31 **SUBSECTION (B) OR (D) OF THIS SECTION WOULD RESULT IN IMPAIRMENT OF**
32 **THE INSURER OR A SIGNIFICANT FINANCIAL LOSS TO THE INSURER, THE**
33 **COMMISSIONER MAY ALLOW AN INSURER TO IMPLEMENT ITS UNDERWRITING**

1 STANDARD DESIGNATING THE GEOGRAPHIC AREAS IN WHICH IT WILL RESTRICT
2 ITS WRITINGS WITHIN 30 DAYS AFTER THE FILING OF THE UNDERWRITING
3 STANDARD.

4 (F) AN UNDERWRITING STANDARD THAT RESTRICTS WRITINGS IN A
5 CERTAIN GEOGRAPHIC AREA, INCLUDING THE DESIGNATION OF THE AREA AND
6 ITS BOUNDARIES, SHALL:

7 (1) COMPLY WITH § 27-501(A) AND (B) OF THIS ARTICLE;

8 (2) BE DEMONSTRATED OBJECTIVELY;

9 (3) INCLUDE CONSIDERATION OF PAST AND PROSPECTIVE LOSS
10 EXPERIENCE WITHIN AND OUTSIDE THE STATE; AND

11 (4) INCLUDE A CONSIDERATION OF ALL RELEVANT HISTORICAL
12 WEATHER DATA FOR ANY RESTRICTION THAT IS BASED, IN WHOLE OR IN PART,
13 ON A CATASTROPHE MODEL.

14 (G) (1) THE INFORMATION FILED UNDER SUBSECTION (C)(1) AND (4)
15 OF THIS SECTION SHALL BE OPEN TO PUBLIC INSPECTION AS SOON AS IT IS
16 FILED.

17 (2) THE INFORMATION FILED UNDER SUBSECTION (C)(2) AND (3)
18 OF THIS SECTION IS SUBJECT TO § 27-501(H) OF THIS ARTICLE.

19 (H) (1) THE INSURER BEARS THE BURDEN OF PROOF TO
20 DEMONSTRATE THAT ITS PROPOSED UNDERWRITING STANDARD, INCLUDING
21 ITS GEOGRAPHIC DESIGNATION, MEETS THE REQUIREMENTS OF THIS SECTION.

22 (2) UNLESS THE INSURER DEMONSTRATES THAT ITS PROPOSED
23 UNDERWRITING STANDARD, INCLUDING ITS GEOGRAPHIC DESIGNATION, MEETS
24 THE REQUIREMENTS OF THIS SECTION, THE COMMISSIONER MAY DISAPPROVE
25 THE FILING AND PROHIBIT THE INSURER FROM IMPLEMENTING THE
26 UNDERWRITING STANDARD.

27 (3) IF, DURING THE WAITING PERIOD OR ANY EXTENSION OF THE
28 WAITING PERIOD, THE COMMISSIONER FINDS THAT AN INSURER'S FILING DOES
29 NOT MEET THE REQUIREMENTS OF THIS SECTION, THE COMMISSIONER SHALL
30 SEND WRITTEN NOTICE OF DISAPPROVAL TO THE INSURER.

31 (I) (1) IF, AFTER AN UNDERWRITING STANDARD SUBJECT TO THIS
32 SECTION HAS BEEN APPROVED OR OTHERWISE HAS BECOME EFFECTIVE, THE
33 COMMISSIONER HAS REASON TO BELIEVE THAT THE UNDERWRITING STANDARD

1 NO LONGER MEETS THE CRITERIA SET FORTH IN SUBSECTION (F) OF THIS
2 SECTION, THE COMMISSIONER MAY ORDER THE INSURER TO JUSTIFY THE
3 STANDARD.

4 (2) THE COMMISSIONER SHALL HOLD A HEARING BEFORE
5 ISSUING AN ORDER REVOKING APPROVAL OF THE INSURER'S UNDERWRITING
6 STANDARD.

7 (3) THE COMMISSIONER SHALL GIVE WRITTEN NOTICE OF THE
8 HEARING TO THE INSURER AT LEAST 10 DAYS BEFORE THE HEARING.

9 (4) THE NOTICE SHALL SPECIFY THE MATTERS TO BE
10 CONSIDERED AT THE HEARING.

11 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
12 October 1, 2013.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.