

HOUSE BILL 695

C4

(3lr1926)

ENROLLED BILL

— Economic Matters/Finance —

Introduced by **Delegate Rudolph**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this

_____ day of _____ at _____ o'clock, _____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 **Homeowner's Insurance – Anti-Concurrent Causation Clause – ~~Prohibited~~**
3 ***Notice and Study***

4 FOR the purpose of ~~prohibiting~~ requiring an insurer ~~from issuing~~ that issues a policy
5 of homeowner's insurance in the State that contains a certain anti-concurrent
6 causation clause to provide a policyholder with a certain notice; *providing that*
7 *the notice is not part of the policy or contract of insurance and does not create a*
8 *private right of action; authorizing the Maryland Insurance Commissioner to*
9 *adopt certain regulations; requiring a certain ~~committee~~ *committees* of the*
10 *General Assembly to conduct a certain study and issue a final report on or*
11 *before a certain date; requiring the Maryland Insurance Administration to*
12 *provide certain data for the study; providing for the application of this Act; and*
13 *generally relating to policies of homeowner's insurance.*

14 BY adding to

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.

Italics indicate opposite chamber/conference committee amendments.



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

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

7 **Article – Insurance**

8 **19–215.**

9 **(A) AN INSURER ~~MAY NOT ISSUE~~ THAT ISSUES A POLICY OF**
 10 **HOMEOWNER’S INSURANCE IN THE STATE THAT CONTAINS AN**
 11 **ANTI-CONCURRENT CAUSATION (ACC) CLAUSE ~~THAT:~~**

12 **~~(1) EXCLUDES CLAIMS THAT ARISE OUT OF CONCURRENT~~**
 13 **~~CAUSATION; OR~~**

14 **~~(2) CONTAINS ANY ANTI-CONCURRENT CAUSATION~~**
 15 **~~EXCLUSIONARY LANGUAGE.~~ SHALL PROVIDE A POLICYHOLDER EACH YEAR WITH**
 16 **A NOTICE THAT:**

17 **(1) IS CLEAR AND SPECIFIC;**

18 **(2) DESCRIBES THE ACC CLAUSE;**

19 **~~(3) DESCRIBES THE MANNER IN WHICH THE ACC CLAUSE MAY BE~~**
 20 **~~APPLIED BY PROVIDING AT LEAST ONE EXAMPLE;~~**

21 **~~(4) INFORMS THE INSURED TO READ THE POLICY FOR COMPLETE~~**
 22 **~~INFORMATION ON THE EXCLUSIONS; AND~~**

23 **~~(5) (4) STATES THAT THE INSURED SHOULD COMMUNICATE~~**
 24 **~~WITH THE INSURANCE PRODUCER OR THE INSURER FOR ADDITIONAL~~**
 25 **~~INFORMATION REGARDING THE SCOPE OF THE EXCLUSIONS.~~**

26 ***(B) THE NOTICE UNDER SUBSECTION (A) OF THIS SECTION:***

27 **(1) IS NOT PART OF THE POLICY OR CONTRACT OF INSURANCE;**

28 **AND**

29 **(2) DOES NOT CREATE A PRIVATE RIGHT OF ACTION.**

1 ~~(B)~~ (C) THE COMMISSIONER MAY ADOPT REGULATIONS TO
 2 IMPLEMENT THIS SECTION.

3 SECTION 2. AND BE IT FURTHER ENACTED, That:

4 (a) The House Economic Matters Committee and the Senate Finance
 5 Committee shall study the handling by insurers and the National Flood Insurance
 6 Program of property insurance claims in cases where there are two or more factors
 7 that could affect or cause the loss.

8 (b) As part of the study, the ~~Committee~~ Committees shall review:

9 (1) the history, nature, scope, and general effect of the anti-concurrent
 10 causation ~~clause (ACC)~~ (ACC) clause;

11 (2) the number of states that allow or do not allow the use of the ACC
 12 clause, whether or not this is done through statute or judicial decision, and the
 13 rationale given by states for allowing or disallowing use of the ACC clause;

14 (3) the number of complaints involving the ACC clause filed with the
 15 Maryland Insurance Administration in each of the past ~~5~~ 3 years and their resolution;

16 (4) the interaction between the use of the ACC clause by the insurance
 17 industry and the claims practices of the National Flood Insurance Program;

18 (5) the impact of disallowing the ACC clause in Maryland, including
 19 the impact on premium levels, underwriting practices, and competition; ~~and~~

20 (6) the cost, fairness, and effectiveness of mediation processes,
 21 including the processes set up in the wake of Tropical Storm Sandy, and the likelihood
 22 that mediation could lead to regulatory action or class action and bad faith claims; and

23 (7) the adequacy of the notice required under § 19-215 of the Insurance
 24 Article, as enacted by Section 1 of this Act, in informing insureds about exclusions and
 25 the ACC clause and whether the notice should:

26 (i) provide an explanation of how the ACC clause may be
 27 applied; or

28 (ii) state that, if the insured would like an explanation of how the
 29 ACC clause may be applied, the insured should communicate with the insurer or the
 30 insurance producer, if the insurer has provided the information to the insurance
 31 producer.

32 (c) The study shall be staffed by staff of the House Economic Matters
 33 Committee and staff of the Senate Finance Committee.

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1 (d) The Maryland Insurance Administration shall provide all data requested
2 by the Committee the Committees request the Maryland Insurance Administration to
3 provide.

4 (e) The Committee Committees shall issue a final report on the study on or
5 before December 31, 2013.

6 SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall
7 apply to all policies of homeowner's insurance issued, delivered, or renewed in the
8 State on or after ~~October 1, 2013~~ January 1, 2014.

9 SECTION 3. 4. AND BE IT FURTHER ENACTED, That this Act shall take
10 effect ~~October~~ June 1, 2013.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.