

HOUSE BILL 695

C4

3lr1926

By: **Delegate Rudolph**

Introduced and read first time: February 4, 2013

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 21, 2013

CHAPTER _____

1 AN ACT concerning

2 **Homeowner's Insurance – Anti-Concurrent Causation Clause – Prohibited**

3 FOR the purpose of ~~prohibiting~~ requiring an insurer ~~from issuing~~ that issues a policy
4 of homeowner's insurance in the State that contains a certain anti-concurrent
5 causation clause to provide a policyholder with a certain notice; authorizing the
6 Maryland Insurance Commissioner to adopt certain regulations; requiring a
7 certain committee of the General Assembly to conduct a certain study and issue
8 a final report on or before a certain date; requiring the Maryland Insurance
9 Administration to provide certain data for the study; providing for the
10 application of this Act; and generally relating to policies of homeowner's
11 insurance.

12 BY adding to

13 Article – Insurance

14 Section 19–215

15 Annotated Code of Maryland

16 (2011 Replacement Volume and 2012 Supplement)

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

19 **Article – Insurance**

20 **19–215.**

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 (A) AN INSURER ~~MAY NOT ISSUE~~ THAT ISSUES A POLICY OF
2 HOMEOWNER'S INSURANCE IN THE STATE THAT CONTAINS AN
3 ANTI-CONCURRENT CAUSATION (ACC) CLAUSE ~~THAT:~~

4 ~~(1) EXCLUDES CLAIMS THAT ARISE OUT OF CONCURRENT~~
5 ~~CAUSATION; OR~~

6 ~~(2) CONTAINS ANY ANTI-CONCURRENT CAUSATION~~
7 ~~EXCLUSIONARY LANGUAGE.~~ SHALL PROVIDE A POLICYHOLDER EACH YEAR WITH
8 A NOTICE THAT:

9 (1) IS CLEAR AND SPECIFIC;

10 (2) DESCRIBES THE ACC;

11 (3) DESCRIBES THE MANNER IN WHICH THE ACC CLAUSE MAY BE
12 APPLIED BY PROVIDING AT LEAST ONE EXAMPLE;

13 (4) INFORMS THE INSURED TO READ THE POLICY FOR COMPLETE
14 INFORMATION ON THE EXCLUSIONS; AND

15 (5) STATES THAT THE INSURED SHOULD COMMUNICATE WITH
16 THE INSURANCE PRODUCER OR THE INSURER FOR ADDITIONAL INFORMATION
17 REGARDING THE SCOPE OF THE EXCLUSIONS.

18 (B) THE COMMISSIONER MAY ADOPT REGULATIONS TO IMPLEMENT
19 THIS SECTION.

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

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

24 (b) As part of the study, the Committee shall review:

25 (1) the history, nature, scope, and general effect of the anti-concurrent
26 causation clause (ACC);

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

30 (3) the number of complaints involving the ACC filed with the
31 Maryland Insurance Administration in each of the past 5 years and their resolution;

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

3 (5) the impact of disallowing the ACC in Maryland, including the
4 impact on premium levels, underwriting practices, and competition; and

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

8 (c) The study shall be staffed by staff of the House Economic Matters
9 Committee.

10 (d) The Maryland Insurance Administration shall provide all data requested
11 by the Committee.

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

14 SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall
15 apply to all policies of homeowner’s insurance issued, delivered, or renewed in the
16 State on or after October 1, 2013.

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

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.