

HOUSE BILL 691

C4

5lr2359

By: **Delegate Jameson**

Introduced and read first time: February 12, 2015

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Homeowner's Insurance – Notices to Policyholders – Required**

3 FOR the purpose of prohibiting an insurer from issuing, delivering, or renewing a policy of
4 homeowner's insurance in the State on or after a certain date unless the policy is
5 accompanied by a certain notice; providing for the contents of the notice; providing
6 that certain notice is not considered a replacement for certain terms, does not have
7 the effect of altering certain coverage, and does not confer certain rights; requiring
8 the notice to expressly state certain information; providing that the notice does not
9 create a private right of action; requiring the insurer to provide the notice to the
10 policyholder at certain times; requiring the Maryland Insurance Commissioner to
11 adopt a certain template by regulation; authorizing an insurer to provide certain
12 notice in a certain manner; authorizing an insurer to develop certain notice under
13 certain circumstances; requiring an insurer to file a certain form with the Insurance
14 Administration under certain circumstances; authorizing certain notice to be
15 delivered by electronic means in accordance with certain provisions of law; repealing
16 certain provisions of law that require certain insurers to provide a certain annual
17 statement about certain coverages and exclusions in a certain manner; repealing
18 certain provisions of law that require certain insurers to provide a certain notice
19 about losses from flood in a certain manner; repealing certain provisions of law that
20 require certain insurers to provide certain notice about coverage for losses caused by
21 certain dogs in a certain manner; repealing certain provisions of law that require
22 certain insurers to provide a certain statement that lists certain additional optional
23 coverages in a certain manner; repealing certain provisions of law that require
24 certain insurers to provide certain notice about certain deductibles in a certain
25 manner and to submit a certain form to the Commissioner at a certain time;
26 repealing certain provisions of law that require certain insurers to provide certain
27 notice about certain premium discounts in a certain manner; repealing certain
28 provisions of law requiring certain insurers to provide certain notice about
29 cancellation or refusal to renew certain coverage on the basis of certain claims or
30 certain changes in a certain manner; repealing certain provisions of law that require
31 certain insurers to provide certain notice about anti-concurrent causation clauses in

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 a certain manner; and generally relating to insurers providing notices to
2 policyholders about homeowner's insurance.

3 BY repealing

4 Article – Insurance

5 Section 19–205, 19–206, 19–206.1, 19–207, 19–214, and 19–215

6 Annotated Code of Maryland

7 (2011 Replacement Volume and 2014 Supplement)

8 BY adding to

9 Article – Insurance

10 Section 19–205

11 Annotated Code of Maryland

12 (2011 Replacement Volume and 2014 Supplement)

13 BY repealing and reenacting, with amendments,

14 Article – Insurance

15 Section 19–209 and 19–210

16 Annotated Code of Maryland

17 (2011 Replacement Volume and 2014 Supplement)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

19 That the Laws of Maryland read as follows:

20 **Article – Insurance**

21 [19–205.

22 (a) (1) An insurer shall provide a policyholder with an annual statement that
23 summarizes the coverages and exclusions under the policy issued by the insurer.

24 (2) The insurer's statement shall be clear and specific.

25 (3) The insurer's statement shall state whether the coverages under the
26 policy provide for replacement cost, actual cash value, or other method of loss payment for
27 covered structures and contents.

28 (4) The insurer's statement shall include a disclosure that states:

29 (i) the policyholder should read the policy for complete information
30 on coverages and exclusions;

31 (ii) the policyholder should refer to the declarations page for a listing
32 of coverages purchased;

1 (iii) the policyholder should communicate with the insurance
2 producer or the insurer for any additional information regarding the scope of coverages in
3 the policy;

4 (iv) the statement does not include additional optional coverage
5 purchased by the policyholder, if any;

6 (v) the statement is not part of the policy or contract of insurance
7 and does not create a private right of action;

8 (vi) all rights, duties, and obligations are controlled by the policy and
9 contract of insurance; and

10 (vii) the standard homeowner's insurance policy does not cover losses
11 from flood.

12 (b) The statement under subsection (a) of this section:

13 (1) is not part of the policy or contract of insurance; and

14 (2) does not create a private right of action.

15 (c) The Commissioner may adopt regulations to implement the provisions of this
16 section.]

17 **19-205.**

18 **(A) AN INSURER MAY NOT ISSUE, DELIVER, OR RENEW A POLICY OF**
19 **HOMEOWNER'S INSURANCE IN THE STATE ON OR AFTER JANUARY 1, 2016, UNLESS**
20 **THE POLICY IS ACCOMPANIED BY A NOTICE THAT:**

21 **(1) IS WRITTEN IN A SIMPLE, CLEAR, UNDERSTANDABLE, AND EASILY**
22 **READABLE MANNER;**

23 **(2) PROVIDES A ONE-PAGE SUMMARY OF THE POLICY THAT**
24 **INCLUDES:**

25 **(I) NOTABLE COVERAGES UNDER THE POLICY;**

26 **(II) NOTABLE EXCLUSIONS UNDER THE POLICY; AND**

27 **(III) WHETHER THE POLICY COVERS LOSSES CAUSED BY DOGS**
28 **OR SPECIFIC BREEDS OF DOGS;**

1 **(3) EXPLAINS THE INSURER'S HURRICANE DEDUCTIBLE PROGRAM, IF**
2 **ANY;**

3 **(4) INCLUDES A WRITTEN NOTICE THAT STATES THAT A TYPICAL**
4 **HOMEOWNER'S INSURANCE POLICY DOES NOT COVER LOSSES FROM FLOOD, AND**
5 **PROVIDES INFORMATION ON HOW TO OBTAIN FLOOD INSURANCE FROM THE**
6 **NATIONAL FLOOD INSURANCE PROGRAM;**

7 **(5) PROVIDES NOTICE THAT PREMIUM DISCOUNTS FOR**
8 **WINDSTORM-LOSS MITIGATION MAY BE AVAILABLE;**

9 **(6) PROVIDES NOTICE THAT ADDITIONAL OPTIONAL COVERAGES MAY**
10 **BE AVAILABLE; AND**

11 **(7) EXPLAINS THAT THE INSURER MAY CANCEL OR REFUSE TO RENEW**
12 **THE POLICY ON THE BASIS OF THE NUMBER OF CLAIMS MADE BY THE**
13 **POLICYHOLDER WITHIN THE PRECEDING 3-YEAR PERIOD.**

14 **(B) (1) THE NOTICE REQUIRED BY SUBSECTION (A) OF THIS SECTION:**

15 **(I) IS NOT CONSIDERED A REPLACEMENT FOR THE TERMS OF**
16 **THE POLICY OF HOMEOWNER'S INSURANCE;**

17 **(II) DOES NOT HAVE THE EFFECT OF ALTERING THE COVERAGE**
18 **AFFORDED BY THE POLICY OF HOMEOWNER'S INSURANCE; AND**

19 **(III) DOES NOT CONFER NEW OR ADDITIONAL RIGHTS BEYOND**
20 **THOSE EXPRESSLY PROVIDED IN THE POLICY OF HOMEOWNER'S INSURANCE.**

21 **(2) THE NOTICE SHALL EXPRESSLY STATE THAT THE NOTICE IS**
22 **PROVIDED ONLY AS GUIDANCE TO THE POLICYHOLDER IN UNDERSTANDING THE**
23 **TERMS OF THE POLICY OF HOMEOWNER'S INSURANCE.**

24 **(C) THE NOTICE REQUIRED BY SUBSECTION (A) OF THIS SECTION DOES NOT**
25 **CREATE A PRIVATE RIGHT OF ACTION.**

26 **(D) AN INSURER SHALL PROVIDE THE NOTICE REQUIRED BY SUBSECTION**
27 **(A) OF THIS SECTION TO THE POLICYHOLDER:**

28 **(1) AT LEAST ONCE A YEAR AT THE TIME OF POLICY RENEWAL; OR**

29 **(2) AS OTHERWISE REQUIRED BY THE COMMISSIONER.**

1 **(E) (1) THE COMMISSIONER SHALL BY REGULATION ADOPT A TEMPLATE**
2 **FOR THE NOTICE REQUIRED BY SUBSECTION (A) OF THIS SECTION.**

3 **(2) THE TEMPLATE SHALL INDICATE THAT IT WAS ADOPTED BY THE**
4 **ADMINISTRATION.**

5 **(3) TO PROVIDE THE NOTICE REQUIRED BY SUBSECTION (A) OF THIS**
6 **SECTION, AN INSURER MAY:**

7 **(I) USE THE TEMPLATE ADOPTED BY THE ADMINISTRATION**
8 **UNDER THIS SUBSECTION; OR**

9 **(II) DEVELOP ITS OWN NOTICE, IF THE NOTICE DEVELOPED BY**
10 **THE INSURER CONTAINS ALL THE INFORMATION REQUIRED BY SUBSECTION (A) OF**
11 **THIS SECTION.**

12 **(4) AN INSURER THAT CHOOSES TO DEVELOP ITS OWN NOTICE SHALL**
13 **FILE THE FORM WITH THE ADMINISTRATION FOR INFORMATION.**

14 **(F) THE NOTICE REQUIRED BY SUBSECTION (A) OF THIS SECTION MAY BE**
15 **DELIVERED BY ELECTRONIC MEANS IN ACCORDANCE WITH § 27-601.2 OF THIS**
16 **ARTICLE.**

17 [19-206.

18 (a) (1) An insurer that sells or negotiates homeowner's insurance in the State
19 shall provide an applicant, at the time a policy of homeowner's insurance is initially
20 purchased, with a written notice that states that a standard homeowner's insurance policy
21 does not cover losses from flood.

22 (2) If an application is made by telephone, the insurer is deemed to be in
23 compliance with this section if, within 7 calendar days after the date of application, the
24 insurer sends the notice to the applicant or insured by a first-class mail tracking method.

25 (3) If an application is made using the Internet, the insurer is deemed to
26 be in compliance with this section if the insurer provides the notice to the applicant prior
27 to the submission of the application.

28 (b) The notice shall:

29 (1) state that flood insurance may be available through the National Flood
30 Insurance Program or other sources;

31 (2) provide the applicant with the contact information for the National
32 Flood Insurance Program;

1 (3) advise the applicant to confirm the need for flood insurance with the
2 National Flood Insurance Program or the applicant's mortgage lender;

3 (4) advise the applicant to contact the National Flood Insurance Program,
4 the applicant's insurer, or the applicant's insurance producer for information about flood
5 insurance;

6 (5) advise the applicant that flood insurance may be available for covered
7 structures and their contents;

8 (6) advise the applicant that a claim under a flood insurance policy may be
9 adjusted and paid on a different basis than a claim under a homeowner's insurance policy;
10 and

11 (7) advise the applicant that a separate application must be completed to
12 purchase flood insurance.

13 (c) A notice required to be sent by a first-class mail tracking method under this
14 section may be sent with the statement required under § 19-207 of this subtitle.

15 (d) A notice provided under this section does not create a private right of action.]

16 [19-206.1.

17 (a) This section applies to an insurer that offers a homeowner's insurance or
18 renter's insurance policy in the State that does not provide coverage for losses caused by
19 specific breeds or specific mixed breeds of dogs.

20 (b) At the time of application for or issuance of a policy of homeowner's insurance
21 or renter's insurance, and at each renewal of a policy of homeowner's insurance or renter's
22 insurance, an insurer subject to this section shall provide to an applicant or an insured a
23 written notice that:

24 (1) states that the policy does not provide coverage for losses caused by
25 specific breeds or specific mixed breeds of dogs; and

26 (2) identifies the specific breeds or specific mixed breeds of dogs for which
27 the policy does not provide coverage.

28 (c) An insurer subject to this section may provide the notice required under
29 subsection (b) of this section in the annual statement required under § 19-205 of this
30 subtitle.]

31 [19-207.

1 (a) (1) An insurer that sells or negotiates homeowner's insurance in the State
2 shall provide an applicant, at the time of application for homeowner's insurance, with a
3 written statement that lists all additional optional coverage available from the insurer to
4 the applicant.

5 (2) If an application is made by telephone, the insurer is deemed to be in
6 compliance with this section if, within 7 calendar days after the date of application, the
7 insurer sends the statement to the applicant or insured by a first-class mail tracking
8 method.

9 (3) If an application is made using the Internet, the insurer is deemed to
10 be in compliance with this section if the insurer provides the statement to the applicant
11 prior to submission of the application.

12 (b) The statement shall:

13 (1) be on a separate form;

14 (2) be titled, in at least 12 point type, "Additional Optional Coverage Not
15 Included in the Standard Homeowner's Insurance Policy";

16 (3) contain the following disclosure in at least 10 point type:

17 "Your standard homeowner's insurance policy does not cover all risks. You may need
18 to obtain additional insurance to cover loss or damage to your home, property, and the
19 contents of your home or to cover risks related to business or personal activities on your
20 property.

21 This statement provides a list of the types of additional insurance coverage that are
22 available. Contact your insurance company, insurance producer, or insurance agent to
23 discuss these additional coverages."; and

24 (4) contain a list of additional optional coverage.

25 (c) A statement required to be sent by a first-class mail tracking method under
26 this section may be sent with the notice required under § 19-206 of this subtitle.

27 (d) A statement provided under this section does not create a private right of
28 action.]

29 19-209.

30 (a) (1) An insurer that issues a policy of homeowner's insurance may not adopt
31 an underwriting standard that requires a deductible that exceeds 5% of the "Coverage
32 A - Dwelling Limit" of the policy in the case of a hurricane or other storm, unless:

1 (i) the insurer has filed the underwriting standard for approval by
2 the Commissioner; and

3 (ii) the Commissioner has approved the underwriting standard in
4 writing.

5 (2) The filing required by paragraph (1) of this subsection shall:

6 (i) be made at least 60 days before the insurer proposes to
7 implement the underwriting standard in the State; and

8 (ii) include any information required by the Commissioner,
9 including:

10 1. a copy of the underwriting standard the insurer proposes
11 to implement;

12 2. the data relied on by the insurer in developing the
13 underwriting standard; and

14 3. the date on which the insurer intends to implement the
15 underwriting standard.

16 (3) An underwriting standard subject to this subsection may not take effect
17 until 60 days after it is filed with the Commissioner.

18 (4) During the initial 60-day waiting period, the Commissioner may
19 extend the waiting period for an additional period, not to exceed 60 days, by written notice
20 to the insurer that the Commissioner needs additional time for consideration of the filing.

21 (5) A filing is deemed approved unless disapproved by the Commissioner
22 during the waiting period or any extension of the waiting period.

23 (6) If the Commissioner finds that compliance with paragraph (3) or (4) of
24 this subsection would result in impairment of the insurer or a significant financial loss to
25 the insurer, the Commissioner may allow an insurer to implement its underwriting
26 standard establishing a deductible at the percentage indicated in the filing within 60 days
27 after the filing of the underwriting standard.

28 (7) An underwriting standard subject to this subsection shall comply with
29 all applicable laws.

30 (b) If an insurer has adopted an underwriting standard that requires a deductible
31 equal to a percentage of the "Coverage A – Dwelling Limit" of the policy in the case of a
32 hurricane or other storm, the deductible may only be applicable beginning at the time the
33 National Hurricane Center of the National Weather Service issues a hurricane warning for
34 any part of the State where the insured's home is located and ending 24 hours following the

1 termination of the last hurricane warning issued for any part of the State in which the
2 insured's home is located.

3 [(c) (1) An insurer that has adopted an underwriting standard that requires a
4 deductible equal to a percentage of the "Coverage A – Dwelling Limit" of the policy in the
5 case of a hurricane or other storm shall provide a policyholder with an annual statement
6 explaining the manner in which the deductible is applied.

7 (2) The insurer shall send a copy of the form used to provide the notice
8 required under paragraph (1) of this subsection to the Commissioner prior to its use.

9 (d)] (C) The Commissioner may adopt regulations to implement the provisions
10 of this section.

11 19–210.

12 (a) An insurer shall offer at least one actuarially justified premium discount on a
13 policy of homeowner's insurance to a policyholder who submits proof of improvements made
14 to the insured premises as a means of mitigating loss from a hurricane or other storm.

15 (b) Means of mitigating loss include:

16 (1) the installation of one or more of the following:

17 (i) hurricane shutters;

18 (ii) secondary water barrier;

19 (iii) reinforced roof coverings;

20 (iv) braced gable ends;

21 (v) reinforced roof to wall connections;

22 (vi) tie downs; and

23 (vii) reinforced opening protections;

24 (2) repair or replacement of:

25 (i) exterior doors, including garage doors;

26 (ii) hurricane resistant trusses, studs, and other structural
27 components; and

28 (iii) repair or replacement of manufactured home piers, anchors, and
29 tie down straps; and

1 (3) any mitigation effort that materially mitigates loss from a hurricane or
2 other storm otherwise covered under the policy.

3 (c) Improvements made to the insured premises under this section shall be
4 inspected by a contractor licensed by the Department of Labor, Licensing, and Regulation.

5 (d) (1) An insurer shall be allowed to inspect the improvements that are the
6 basis of a premium discount under this section.

7 (2) (i) Verification of improvements that are the basis of a premium
8 discount under this section rests with the insurer.

9 (ii) An insurer may accept an inspection certificate issued by a
10 governmental agency as verification of improvements that are the basis of a premium
11 discount under this section.

12 (e) A premium discount offered under this section shall:

13 (1) comply with the provisions of Title 11 of this article; and

14 (2) only be offered for improvements identified by the Commissioner as
15 qualified mitigation actions made to the insured premises that may materially mitigate
16 loss from a hurricane or other storm otherwise covered under the policy.

17 [(f) (1) An insurer that offers a premium discount under this section shall
18 provide a policyholder with an annual statement regarding the availability of the discount
19 and the method of applying for the discount.

20 (2) The notice required under paragraph (1) of this subsection may be sent
21 with the statement required under § 19–205 of this subtitle.

22 (g) **(F)** The Commissioner may adopt regulations to implement the provisions
23 of this section.

24 [19–214.

25 (a) An insurer that offers homeowner's insurance in the State shall provide a
26 written notice to the insured at the time of application or issuance and at each renewal of
27 the policy that states, in substantially similar language, that, in addition to the other
28 allowable reasons for cancellation or refusal to renew under Maryland law:

29 (1) the insurer may cancel or refuse to renew coverage on the basis of the
30 number of claims made by the policyholder within the preceding 3–year period; and

31 (2) the insurer may cancel or refuse to renew coverage on the basis of:

1 (i) three or more weather-related claims made within the preceding
2 3-year period;

3 (ii) one or more weather-related claims made within the preceding
4 3-year period if the insurer has provided written notice to the insured for reasonable or
5 customary repairs or replacement specific to the insured's premises or dwelling that:

6 1. the insured failed to make; and

7 2. if made, would have prevented the loss for which a claim
8 was made; and

9 (iii) a change in the physical condition or contents of the premises
10 that:

11 1. increases the hazard insured against; and

12 2. if present and known to the insurer before the issuance of
13 the policy, would have caused the insurer to refuse to issue the policy.

14 (b) In order to support cancellation or refusal to renew under subsection (a)(2)(ii)
15 of this section, the written notice:

16 (1) must refer to specific conditions known to the insurer concerning the
17 insured's specific premises or dwelling; and

18 (2) may not be a general notification of repairs or replacements common to
19 that type of premises or dwelling.]

20 [19-215.

21 (a) An insurer that issues a policy of homeowner's insurance in the State that
22 contains an anti-concurrent causation (ACC) clause shall provide a policyholder each year
23 with a notice that:

24 (1) is clear and specific;

25 (2) describes the ACC clause;

26 (3) informs the insured to read the policy for complete information on the
27 exclusions; and

28 (4) states that the insured should communicate with the insurance
29 producer or the insurer for additional information regarding the scope of the exclusions.

30 (b) The notice under subsection (a) of this section:

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1 (1) is not part of the policy or contract of insurance; and

2 (2) does not create a private right of action.

3 (c) The Commissioner may adopt regulations to implement this section.】

4 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
5 October 1, 2015.