

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 345
Finance

(Senator Kagan)

Homeowner's Insurance - Weather-Related Claims and Notice of Cancellation or Nonrenewal

This bill repeals the authority of an insurer to cancel or refuse to renew a homeowner's insurance policy due to three or more weather-related claims in the preceding three-year period. Additionally, when an insurer notifies a policyholder of its intention to cancel or refuse to renew a homeowner's insurance policy, the insurer must include a form (adopted by the Insurance Commissioner) that allows the insured to protest the proposed action and request a hearing within 30 days after the mailing of the notice.

Fiscal Summary

State Effect: Special fund expenditures for the Maryland Insurance Administration (MIA) increase to the extent that the protest procedure established by the bill increases the number of complaints it receives, as discussed below. MIA can develop the protest form and provide it to insurers using existing budgeted resources. Revenues are not affected.

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.

Generally, an insurer may not cancel or refuse to renew coverage for a homeowner's insurance policy based on an insured's claims history for weather-related claims unless there were three or more weather-related claims within the preceding three-year period. However, an insurer may consider weather-related events if the insurer notified the insured in writing of reasonable or customary repairs or replacement specific to the insured's premises or dwelling that the insured failed to make and which, if made, would have prevented the loss for which the claim was made.

Whenever an insurer proposes to cancel or refuse to renew a policy for a reason other than nonpayment of a premium, the insurer must notify the insured of its intent at least 45 days before the proposed cancellation or expiration date of the policy.

While there is currently no formalized protest process specifically for homeowner's insurance policies, an insured has a general right to protest a proposed cancellation or nonrenewal against a homeowner's insurance policy. In such a case, MIA may put the proposed action on hold while it reviews and makes a finding on the complaint; the policy must remain in effect until MIA submits a finding on the complaint.

State Expenditures: MIA advises that the formalized protest procedure for homeowner's insurance established under the bill may result in an increase in the number of complaints and protests it receives from insurance customers. If the increase is significant, MIA would need an additional position to help investigate and administer complaints. However, any such impact cannot be reliably predicted without actual experience under the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 333 (Delegate Palakovich Carr, *et al.*) - Economic Matters.

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

Fiscal Note History: First Reader - February 10, 2020
rh/jc

Analysis by: Richard L. Duncan

Direct Inquiries to:
(410) 946-5510
(301) 970-5510