

HOUSE BILL 557

C4
HB 684/15 – ECM

6lr3198

By: **Delegate Jameson**

Introduced and read first time: February 3, 2016

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 17, 2016

CHAPTER _____

1 AN ACT concerning

2 **Homeowner's Insurance – Underwriting Standards – Deductibles**

3 FOR the purpose of authorizing an insurer to issue a policy of homeowner's insurance that
4 includes a certain deductible, subject to certain limitations; authorizing the insurer
5 to require a certain deductible in a policy of homeowner's insurance or to offer a
6 certain deductible as an option; requiring an insurer that has adopted a certain
7 underwriting standard to apply a certain deductible only during a certain period of
8 time and regardless of where the insured's home is located in the State; repealing
9 the requirement that an insurer that issues a policy of homeowner's insurance file
10 with the Maryland Insurance Commissioner for approval a certain underwriting
11 standard that requires a certain deductible under certain circumstances before the
12 insurer may implement the underwriting standard; requiring an insurer that issues
13 a policy of homeowner's insurance to file ~~for information~~ with the Commissioner a
14 certain underwriting standard that requires a certain deductible under certain
15 circumstances at least a certain period of time before the insurer proposes to
16 implement the underwriting standard; altering the contents of a certain filing;
17 repealing a provision of law that prohibits a certain underwriting standard from
18 taking effect until a certain period of time has passed; repealing the authority of the
19 Commissioner to take certain actions with regard to a certain underwriting standard
20 during certain periods of time; repealing a provision of law that a certain filing is
21 deemed approved unless disapproved by the Commissioner during certain periods of
22 time; ~~authorizing an insurer to adopt a certain underwriting standard that requires~~
23 ~~a certain deductible under certain circumstances if the deductible applies only~~
24 ~~during a certain period of time and regardless of where the insured's home is located~~
25 ~~in the State; altering certain requirements relating to an annual statement that~~

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 must be provided to a policyholder; requiring a certain insurer, under certain
 2 circumstances, to provide an insured with a certain statement about a certain
 3 deductible at certain times; requiring a certain statement to include certain
 4 information; authorizing a certain example required to be included in a certain
 5 statement to be provided in a certain manner; authorizing a certain insurer to satisfy
 6 certain notice requirements in a certain manner; requiring an insurer to send a copy
 7 of a certain form to the Commissioner ~~for information~~ under certain circumstances;
 8 providing for the application of this Act; providing for a delayed effective date; and
 9 generally relating to underwriting standards and deductibles under homeowner's
 10 insurance.

11 BY repealing and reenacting, with amendments,
 12 Article – Insurance
 13 Section 19–209
 14 Annotated Code of Maryland
 15 (2011 Replacement Volume and 2015 Supplement)

16 BY adding to
 17 Article – Insurance
 18 Section 19–209.1
 19 Annotated Code of Maryland
 20 (2011 Replacement Volume and 2015 Supplement)

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

23 **Article – Insurance**

24 19–209.

25 **(A) (1) SUBJECT TO SUBSECTIONS (B), (C), AND (D) OF THIS SECTION, AN**
 26 **INSURER MAY ISSUE A POLICY OF HOMEOWNER'S INSURANCE THAT INCLUDES A**
 27 **DEDUCTIBLE THAT IS EQUAL TO A PERCENTAGE OF THE "COVERAGE A – DWELLING**
 28 **LIMIT" OF THE POLICY.**

29 **(2) THE INSURER MAY:**

30 **(I) REQUIRE THE DEDUCTIBLE DESCRIBED IN PARAGRAPH (1)**
 31 **OF THIS SUBSECTION IN A POLICY OF THE HOMEOWNER'S INSURANCE; OR**

32 **(II) OFFER THE DEDUCTIBLE DESCRIBED IN PARAGRAPH (1) OF**
 33 **THIS SUBSECTION AS AN OPTION TO AN APPLICANT OR INSURED.**

34 **(B) AN INSURER THAT HAS ADOPTED AN UNDERWRITING STANDARD THAT**
 35 **REQUIRES A MANDATORY HURRICANE DEDUCTIBLE EQUAL TO A PERCENTAGE OF**

1 THE “COVERAGE A – DWELLING LIMIT” OF THE POLICY SHALL APPLY THE
 2 DEDUCTIBLE:

3 (1) ONLY BEGINNING AT THE TIME THE NATIONAL HURRICANE
 4 CENTER OF THE NATIONAL WEATHER SERVICE ISSUES A HURRICANE WARNING FOR
 5 ANY PART OF THE STATE AND ENDING 24 HOURS FOLLOWING THE TERMINATION OF
 6 THE LAST HURRICANE WARNING ISSUED FOR ANY PART OF THE STATE; AND

7 (2) REGARDLESS OF WHERE THE INSURED’S HOME IS LOCATED IN
 8 THE STATE.

9 ~~(C)~~ (1) An insurer that issues a policy of homeowner’s insurance may not adopt
 10 an underwriting standard that requires a deductible that exceeds 5% of the “Coverage
 11 A – Dwelling Limit” of the policy in the case of a hurricane [or other storm,] unless[:

12 (i) the insurer has filed the underwriting standard ~~for~~ [approval by]
 13 ~~INFORMATION WITH~~ the Commissioner[; and

14 (ii) the Commissioner has approved the underwriting standard in
 15 writing].

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

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

19 (ii) include [any information required by the Commissioner,
 20 including]:

21 1. a copy of the underwriting standard the insurer [proposes]
 22 INTENDS to implement;

23 [2. the data relied on by the insurer in developing the
 24 underwriting standard;] and

25 [3.] 2. the date on which the insurer intends to implement the
 26 underwriting standard.

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

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

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

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

8 (7)] An underwriting standard subject to this subsection shall comply with
9 all applicable laws.

10 ~~(b) [If an insurer has adopted an underwriting standard that requires a~~
11 ~~deductible equal to a percentage of the "Coverage A – Dwelling Limit" of the policy in the~~
12 ~~case of a hurricane or other storm, the deductible may only be applicable] AN INSURER~~
13 ~~MAY ADOPT AN UNDERWRITING STANDARD THAT REQUIRES A DEDUCTIBLE EQUAL~~
14 ~~TO A PERCENTAGE OF THE "COVERAGE A – DWELLING LIMIT" OF THE POLICY FOR~~
15 ~~DIRECT PHYSICAL LOSS CAUSED BY THE PERIL OF WINDSTORM OR HAIL DURING THE~~
16 ~~PERIOD OF A HURRICANE WARNING IF THE DEDUCTIBLE APPLIES:~~

17 ~~(1) ONLY beginning at the time the National Hurricane Center of the~~
18 ~~National Weather Service issues a hurricane warning for any part of the State [where the~~
19 ~~insured's home is located] and ending 24 hours following the termination of the last~~
20 ~~hurricane warning issued for any part of the State [in which the insured's home is located];~~
21 ~~AND~~

22 ~~(2) REGARDLESS OF WHERE THE INSURED'S HOME IS LOCATED IN~~
23 ~~THE STATE.~~

24 ~~(c) (D)~~ (1) An insurer that ISSUES A POLICY OF HOMEOWNER'S INSURANCE
25 THAT INCLUDES A DEDUCTIBLE THAT IS EQUAL TO A PERCENTAGE OF THE
26 "COVERAGE A – DWELLING LIMIT" OF THE POLICY OR has adopted an underwriting
27 standard that requires a MANDATORY HURRICANE deductible equal to a percentage of
28 the "Coverage A – Dwelling Limit" of the policy ~~in the case of a hurricane~~ [or other storm]
29 shall provide a policyholder with an annual statement explaining the manner in which the
30 deductible is applied IN ACCORDANCE WITH § 19-209.1 OF THIS SUBTITLE.

31 (2) The insurer shall send a copy of the form used to provide the ~~notice~~
32 STATEMENT required under paragraph (1) of this subsection to the Commissioner ~~FOR~~
33 ~~INFORMATION~~ prior to its use.

34 ~~(d) (E)~~ The Commissioner may adopt regulations to implement the provisions
35 of this section.

36 19-209.1.

1 (A) AN INSURER THAT ISSUES A POLICY OF HOMEOWNER’S INSURANCE
2 THAT INCLUDES A DEDUCTIBLE THAT IS EQUAL TO A PERCENTAGE OF THE
3 “COVERAGE A – DWELLING LIMIT” OF THE POLICY, OR HAS ADOPTED AN
4 UNDERWRITING STANDARD THAT REQUIRES A MANDATORY HURRICANE
5 DEDUCTIBLE EQUAL TO A PERCENTAGE OF THE “COVERAGE A – DWELLING LIMIT”
6 OF THE POLICY, SHALL PROVIDE AN INSURED WITH A STATEMENT ABOUT THE
7 DEDUCTIBLE AT THE TIME THE POLICY OF HOMEOWNER’S INSURANCE IS FIRST
8 ISSUED AND AT EACH RENEWAL.

9 (B) (1) THE STATEMENT REQUIRED UNDER SUBSECTION (A) OF THIS
10 SECTION SHALL:

11 (I) BE TITLED, IN AT LEAST 12 POINT TYPE, “PERCENTAGE
12 DEDUCTIBLE NOTICE”;

13 (II) STATE THE ACTUAL PERCENTAGE OF THE PERCENTAGE
14 DEDUCTIBLE;

15 (III) STATE THE CIRCUMSTANCES UNDER WHICH THE
16 DEDUCTIBLE APPLIES;

17 (IV) INCLUDE AN EXAMPLE OF HOW THE DEDUCTIBLE APPLIES
18 TO A LOSS; AND

19 (V) INCLUDE THE FOLLOWING STATEMENT, OR A
20 SUBSTANTIALLY SIMILAR STATEMENT, IN AT LEAST 10 POINT TYPE:

21 “YOUR HOMEOWNER’S INSURANCE POLICY CONTAINS A PERCENTAGE
22 DEDUCTIBLE, WHICH MEANS THAT YOUR DEDUCTIBLE FOR A COVERED LOSS WILL
23 BE DETERMINED BY MULTIPLYING THE DOLLAR AMOUNT OF YOUR COVERAGE
24 A – DWELLING LIMIT OF LIABILITY BY THIS PERCENTAGE UNDER THE FOLLOWING
25 CIRCUMSTANCES: [INSERT EXPLANATION OF CIRCUMSTANCES UNDER WHICH A
26 PERCENTAGE DEDUCTIBLE WOULD BE APPLIED]”.

27 (2) THE EXAMPLE REQUIRED UNDER PARAGRAPH (1)(IV) OF THIS
28 SUBSECTION MAY BE PROVIDED IN THE FOLLOWING MANNER:

29 “IF, AT THE TIME OF A COVERED LOSS, A HOMEOWNER’S INSURANCE
30 POLICY’S COVERAGE A – DWELLING LIMIT OF LIABILITY IS \$300,000 AND THE
31 POLICY INCLUDES A 2% DEDUCTIBLE, THE POLICYHOLDER WILL BE RESPONSIBLE
32 FOR PAYING A DEDUCTIBLE OF \$6,000 ON A CLAIM FOR A COVERED LOSS (\$300,000
33 X 2%). THIS MEANS THAT, FOR EXAMPLE:

1 IF THE COVERED LOSS TO THE DWELLING IS \$25,000 AND THE COVERED
 2 LOSS TO PERSONAL PROPERTY IS \$10,000 FOR A TOTAL COVERED LOSS OF \$35,000,
 3 THE POLICYHOLDER IS RESPONSIBLE FOR PAYING A \$6,000 DEDUCTIBLE AND THE
 4 INSURER IS RESPONSIBLE FOR THE BALANCE OF THE COVERED LOSS, OR \$29,000.

5 IF THE COVERED LOSS TO THE DWELLING IS \$5,000, THE
 6 POLICYHOLDER IS RESPONSIBLE FOR PAYING THE ENTIRE COVERED LOSS BECAUSE
 7 THE TOTAL AMOUNT OF THE COVERED LOSS IS LESS THAN THE PERCENTAGE
 8 DEDUCTIBLE, WHICH IS \$6,000.”.

9 (C) (1) AN INSURER MAY SATISFY THE REQUIREMENTS OF SUBSECTION
 10 (B) OF THIS SECTION IF, ON THE DECLARATIONS PAGE OF THE POLICY OF
 11 HOMEOWNER’S INSURANCE OR IN A SEPARATE STATEMENT, THE INSURER STATES:

12 (I) THE ACTUAL PERCENTAGE OF THE PERCENTAGE
 13 DEDUCTIBLE;

14 (II) THE DOLLAR AMOUNT OF THE PERCENTAGE DEDUCTIBLE
 15 AS IT RELATES TO THE POLICY OF HOMEOWNER’S INSURANCE; AND

16 (III) THE CIRCUMSTANCES UNDER WHICH THE DEDUCTIBLE
 17 APPLIES.

18 (2) THE STATEMENT SHALL BE TITLED, IN AT LEAST 12 POINT TYPE,
 19 “PERCENTAGE DEDUCTIBLE NOTICE”.

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all
 21 policies of homeowner’s insurance issued, delivered, or renewed in the State on or after
 22 ~~October 1, 2016~~ January 1, 2017.

23 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
 24 ~~October 1, 2016~~ January 1, 2017.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.