



THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

**Testimony in Support of HB 641  
Homeowner's Insurance – Weather-Related Claims**

This bill would strengthen consumer protections against cancellation of homeowners insurance due to weather-related claims.

Maryland currently has a three-strike rule for weather-related claims; the insurance company cannot cancel a policy unless there were three or more weather-related claims within the preceding three year period. This bill would not count claims that result in no payout or are for less than the insured's deductible towards the three strike rule.

**Background**

Prior to 1998, an insurance company in Maryland could cancel a homeowners insurance policy if the resident made more than one claim in five years for any reason. In 1998, the Maryland General Assembly enacted legislation that prohibited insurance companies from cancelling a homeowners insurance policy for weather-related claims unless there were three or more claims within three years. This change was meant to protect consumers, while continuing to allow insurance companies to reasonably manage risk.

A small number of Marylanders lose their homeowners insurance each year because of weather-related claims, even if some of these claims did not result in a payout to the customer.

**Protecting Homeowners**

This is a consumer protection bill that also considers the need of insurance carriers to balance risk.

We buy homeowners insurance to protect us financially from events that we cannot predict or prevent, such as damage to our home from wind, water, hail, falling tree limbs, and other weather events.

With extreme weather events becoming more frequent because of climate change,<sup>1</sup> it's more and more likely that homeowners will experience weather damage to their homes that is not their fault. Limiting insurance companies' ability to cancel a policy to weather-related claims that result in a payout will protect some of these homeowners from the potentially catastrophic financial results of insurance cancellation.

This legislation should not materially impact the bottom line of insurance companies. In fact, some insurers in Maryland already do not count claims with no payout towards the weather-related three strike rule.

Maryland has enacted other consumer protections for homeowners and this bill follows that trend. For instance, insurers in Maryland are not allowed to increase premiums, cancel or non-renew a policy, or refuse to issue a policy if a homeowner inquires about a claim and the inquiry does not result in payment of a claim.<sup>2</sup> Comparably, this bill protects homeowners in instances when their insurer does not have to pay out.

### **Actions by Other States**

Other states have taken similar actions to protect homeowners while allowing insurance companies to reasonably manage risk.

New Jersey enacted a law in 1999 that bars an insurer from canceling or non-renewing a homeowner policy because of weather-related claims.<sup>3</sup> That state has not experienced major changes to their insurance marketplace as a result and in fact has more insurers offering homeowners and renters insurance than operate in Maryland.

Since 2001, Michigan has barred insurers from non-renewing a homeowners insurance policy unless three or more claims are *paid* within three years and those claims total at least \$4,000.<sup>4</sup>

Since 2014, Delaware has prevented the non-renewal of homeowners insurance unless there are three or more *paid* claims within a three year period.<sup>5</sup>

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<sup>1</sup> "Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation," Intergovernmental Panel on Climate Change, 2012.

<sup>2</sup> Maryland Insurance Article 27-501(p)

<sup>3</sup> New Jersey Title 17 Section 17:36-5.20a

<sup>4</sup> Michigan Insurance Code Section 500.2117

<sup>5</sup> 79 Delaware Laws, c. 390, § 8

Rhode Island's protections have been in place since 2013 and prevent an insurer from counting a weather-related claim with no payout or a payout of less than \$500 towards that state's strike rule for homeowners insurance non-renewal or cancelation.<sup>6</sup>

### **What This Bill Does**

HB 641 clarifies that a weather-related claim that results in no payout to the homeowner or that is less than the homeowner's deductible cannot count towards the three strike rule for weather-related insurance claims.

The bill preserves the insurer's ability to non-renew or cancel a policy when the homeowner has three or more paid claims within a three year period.

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<sup>6</sup> Rhode Island Rules and Regulations 230-RICE-20-05-13