



April 24, 2008

MD ENACTS COASTAL PROPERTY INSURANCE REFORMS AND OTHER PERSONAL LINES PROPERTY LEGISLATION

BACKGROUND

Two bills have been recently signed into law in Maryland affecting personal lines property coverages.

HB 1353, entitled the Coastal Property Insurance Reform Act, adds four new sections to Title 19 of the insurance law. Each of these applies specifically to homeowners insurance.

HB 859 applies to coverage for additional living expenses provided by any personal property policy.

HB 1353 CHANGES

Effective October 1, 2008, the law provides that an insurer:

- May not implement an underwriting standard that requires a hurricane / storm deductible greater than 5% of the Coverage A limit without the prior approval of the Maryland Insurance Administration (MIA). Policyholders must be provided with an annual statement explaining how the deductible applies.
- Must file with the MIA any catastrophic risk planning model that uses geographic location of the risk to set rates or to not write or renew insurance. Also the insurer must arrange for the model's vendor to explain to the MIA what data is used in the model and how the output is obtained.
- Must file with the MIA any plan of material reduction that reduces policies on a statewide basis by 3% or more through cancellations or nonrenewals because of the geographic location of the risk.

Effective June 1, 2009, the law provides that insurers must provide premium discounts if the insured premises has been improved to mitigate loss from hurricanes or other storms. Policyholders must be provided with an annual statement explaining the availability and application of the discount.

HB 859 CHANGES

HB 859, effective October 1, 2008, requires that any property policy which provides additional living expense coverage may not limit the coverage to less than 12 months. Also, the MIA may require an insurer to extend coverage for up to 24 months if it finds that the property is uninhabitable due to delay in repair or replacement caused by the insurer or other factors beyond the control of the insured. The law does not prohibit any dollar limit of liability on this coverage.

The MSO forms that provide additional living expense do not include any time limit, only dollar limits, on additional living expenses. Therefore, no changes are needed in the MSO forms.

MSO[®] ACTION

We will develop rules for homeowners hurricane and storm mitigation premium credits to be effective June 1, 2009.

We are available to assist companies in preparing filings to comply with the other provisions of HB 1353.

QUESTIONS

Contact Jan Kozlowski at (800) 935-6900.