



October 5, 2006

MARYLAND PASSES LEGISLATION REQUIRING NOTICES FOR HOMEOWNERS INSURANCE

BACKGROUND

The Maryland Insurance Administration has passed House Bill 1261 relating to implementation of legislative changes affecting property and casualty insurers. The bill relates specifically to revisions to sections of the Insurance Article affecting Homeowners insurance which require the issuance of policyholder coverage summaries and notices. These notification requirements are outlined below.

NOTIFICATION REQUIREMENTS

Section 19-205 requires that every insurer that issues a homeowner's policy on or after January 1, 2007, must provide the policyholder with an Annual Summary of Homeowners coverages that summarizes the policy's coverages and exclusions.

For companies to comply with this section, the MIA has prepared a sample notice entitled "Annual Summary of Homeowners Coverages" that summarize the coverages and exclusions under the standard homeowners policy. Additional sample notices were also created for condominium unit owners, renters, and mobilehomeowners policies.

Section 19-206 requires that an insurer selling homeowners insurance in Maryland on or after January 1, 2007, shall provide to the applicant, at the time the policy is initially purchased, a written statement that the standard homeowners insurance policy does not provide coverage for flood. This written statement must be provided to the applicant when the policy is initially purchased. In order to be considered timely, the written statement must either be delivered to the insured by the producer or sent to the insured via certificate of mailing on, before, or with the delivery or issuance of the policy. Additional rules apply if the policy application is completed over the telephone or over the internet.

For companies to comply with this section, the MIA has developed sample notice wording entitled "Statement Regarding Flood Insurance" which complies with this section.

**NOTIFICATION
REQUIREMENTS
(Cont'd.)**

Section 19-207 requires that an insurer selling homeowners insurance in Maryland on or after January 1, 2007, must provide the applicant, at the time of application, with a written statement listing all of the additional optional coverages available to be purchased by the insured. This written statement is intended to allow the consumer to make an informed choice regarding the types of coverage they wish to purchase. This written statement must, therefore, be provided at the time of application.

The MIA has prepared sample wording for homeowners entitled "Statement of Additional Optional Coverages Not Included in the Standard Policy" that provides a listing of additional coverages the applicant or insured may purchase. Additional sample statement wording was also prepared for condominium unit owners, renters and mobilehomeowners.

**COMPANY
ACTION**

Companies that create their own Summaries that deviate from the above mentioned sample wording must file their notices with the Maryland Insurance Administration. MSO® is available to assist in the development of specific company notices.

EFFECTIVE DATE

January 1, 2007

AVAILABILITY

Companies can review the full text of House Bill 1261, which includes samples of the above mentioned notices, by accessing the following link on the MIA's website at <http://www.mdinsurance.state.md.us/documents/draftbulletin-hb1261-08-14-06.pdf>.

QUESTIONS

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