

# HOUSE BILL 1159

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By: **Delegates Rudolph and Conway**

Introduced and read first time: February 14, 2011

Assigned to: Rules and Executive Nominations

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## A BILL ENTITLED

1 AN ACT concerning

2 **Homeowner's Insurance – Plan of Material Reduction – Limitations**

3 FOR the purpose of prohibiting an insurer from filing a certain plan of material  
4 reduction in homeowner's insurance on certain bases or in certain areas under  
5 certain circumstances; authorizing the Maryland Insurance Commissioner to  
6 approve the filing of a certain plan of material reduction under certain  
7 circumstances; authorizing an insurer to cancel or fail to renew certain policies  
8 under certain circumstances; altering a certain definition; providing for the  
9 application of this Act; and generally relating to homeowner's insurance and  
10 plans of material reduction.

11 BY repealing and reenacting, without amendments,  
12 Article – Insurance  
13 Section 19–211  
14 Annotated Code of Maryland  
15 (2006 Replacement Volume and 2010 Supplement)

16 BY repealing and reenacting, with amendments,  
17 Article – Insurance  
18 Section 19–212  
19 Annotated Code of Maryland  
20 (2006 Replacement Volume and 2010 Supplement)

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

23 **Article – Insurance**

24 19–211.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (a) (1) If an insurer uses a catastrophic risk planning model or other  
2 model in setting homeowner's insurance rates or refusing to issue or renew  
3 homeowner's insurance because of the geographic location of the risk, the insurer  
4 shall:

5 (i) file with the Commissioner a description of the specific  
6 model used in setting the rate or refusing to issue or renew homeowner's insurance  
7 because of the geographic location of the risk; and

8 (ii) make arrangements for the vendor of the model to explain to  
9 the Commissioner the data used in the model and the manner in which the output is  
10 obtained.

11 (2) If at any time an insurer changes the catastrophic risk planning  
12 model or other model upon which it is relying, the insurer shall notify the  
13 Commissioner of the change and comply with paragraph (1) of this subsection.

14 (b) The information filed under subsection (a) of this section is proprietary  
15 and confidential commercial information under § 10-617(d) of the State Government  
16 Article.

17 (c) The Commissioner may adopt regulations to implement the provisions of  
18 this section.

19 19-212.

20 (a) (1) In this section the following words have the meanings indicated.

21 (2) (i) "Material reduction" means during a 1-year period a  
22 reduction of homeowner's insurance policies in force for an insurer [on a statewide  
23 basis by 3% or more] due to cancellations or nonrenewals solely because the subject of  
24 the risk or the insured's address is located in a certain geographic area of the State:

25 **1. ON A STATEWIDE BASIS, BY 3% OR MORE; OR**

26 **2. ON THE BASIS OF A DEFINED GEOGRAPHIC AREA**  
27 **USED IN A MODEL THAT THE INSURER FILES UNDER § 19-211 OF THIS SUBTITLE**  
28 **AND USES TO CLASSIFY PROPERTY, BY 10% OR MORE.**

29 (ii) "Material reduction" does not include a homeowner's  
30 insurance policy:

31 1. cancelled, nonrenewed, or otherwise terminated by an  
32 insured; or

33 2. cancelled or nonrenewed by an insurer pursuant to  
34 reasons other than a material reduction plan.

1           (3)   (i)   “Minimizes market disruption” means actions to be taken by  
2 an insurer that intends to engage in a plan of material reduction of its volume  
3 of policies to provide for the orderly reduction in homeowner’s insurance coverage.

4                   (ii)   “Minimizes market disruption” includes:

5                           1.   efforts by the insurer to maintain a service force in  
6 affected areas during the period of material reduction;

7                           2.   efforts to inform insureds of options available for  
8 replacement of coverage with authorized insurers; and

9                           3.   any actions serving to minimize market disruption.

10           (b)   (1)   At least 60 days in advance of implementing a plan of material  
11 reduction, an insurer shall file with the Commissioner a plan for orderly reduction.

12                   (2)   The plan shall:

13                           (i)   describe the insurer’s contemplated actions;

14                           (ii)   set forth the reasons for the actions;

15                           (iii)   describe the measures the insurer intends to take in order to  
16 minimize market disruption; and

17                           (iv)   provide any other information required by the  
18 Commissioner.

19           (c)   (1)   Except as provided in this section, a filing under this section may  
20 not take effect until 60 days after it is filed with the Commissioner.

21                   (2)   During the initial 60–day waiting period, the Commissioner may  
22 extend the waiting period for an additional period, not to exceed 60 days, by written  
23 notice to the insurer that the Commissioner needs additional time for consideration of  
24 the filing.

25                   (3)   A filing is deemed approved unless disapproved by the  
26 Commissioner during the waiting period or any extension of the waiting period.

27           (d)   If the Commissioner finds that compliance with subsection (b) of this  
28 section would result in impairment of the insurer or a significant financial loss to the  
29 insurer, the Commissioner may allow an insurer to implement its plan of material  
30 reduction within 60 days after the filing of the plan.

1 (e) The Commissioner shall approve the plan of material reduction if the  
2 insurer demonstrates that the material reduction is accomplished in a manner that  
3 minimizes market disruption in the areas of material reduction.

4 (f) In reviewing a plan of material reduction, the Commissioner shall assess  
5 the impact of the plan of material reduction in:

6 (1) each county of the State; and

7 (2) areas within 1 mile of any saltwater shoreline or any shoreline  
8 directly adjacent to the Chesapeake Bay.

9 (g) (1) If the Commissioner disapproves the plan of material reduction,  
10 the Commissioner shall state:

11 (i) the points of objection with the plan; and

12 (ii) any amendments to the plan that the Commissioner may  
13 require, consistent with this section, including amendments designed to accomplish  
14 the plan of material reduction in a manner that minimizes market disruption.

15 (2) The insurer shall file an amended plan within 15 days after the  
16 date of return of the disapproved plan.

17 (3) Any intended withdrawal in accordance with a plan of material  
18 reduction that is disapproved is prohibited until the original or an amended plan of  
19 material reduction is approved by the Commissioner.

20 (h) **(1) NOTWITHSTANDING SUBSECTIONS (B), (C), AND (E) OF THIS**  
21 **SECTION AND SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, AN INSURER**  
22 **MAY NOT FILE A PLAN OF MATERIAL REDUCTION IN A GEOGRAPHIC AREA USED**  
23 **IN A MODEL FILED UNDER § 19-211 OF THIS SUBTITLE, OR CANCEL OR FAIL TO**  
24 **RENEW A POLICY OF HOMEOWNER'S INSURANCE IN THAT AREA:**

25 **(I) SOLELY BASED ON A CHANGE IN:**

26 **1. THE MODEL USED BY THE INSURER TO SET**  
27 **INSURANCE RATES OR TO ISSUE OR RENEW HOMEOWNER'S INSURANCE; OR**

28 **2. THE INTERPRETATION OF THE MODEL; OR**

29 **(II) IN AN AREA THAT DOES NOT CORRESPOND DIRECTLY**  
30 **WITH THE GEOGRAPHIC AREA USED IN THE MODEL.**

1           **(2) (I) THE COMMISSIONER MAY APPROVE THE FILING OF A**  
2 **PLAN OF MATERIAL REDUCTION IF THE INSURER DEMONSTRATES A MATERIAL**  
3 **CHANGE IN CLAIMS HISTORY OR EXPERIENCE IN THE GEOGRAPHIC AREA.**

4           **(II) AN INSURER MAY CANCEL OR FAIL TO RENEW A POLICY**  
5 **OF HOMEOWNER'S INSURANCE IN THE GEOGRAPHIC AREA IN ACCORDANCE**  
6 **WITH A PLAN OF MATERIAL REDUCTION APPROVED UNDER SUBPARAGRAPH (I)**  
7 **OF THIS PARAGRAPH.**

8           **(I)** The Commissioner may adopt regulations to implement the provisions of  
9 this section.

10           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be  
11 construed to apply retroactively and shall be applied to and interpreted to affect any  
12 cancellation or nonrenewal of a homeowner's insurance policy on or after September 1,  
13 2010, on a basis prohibited under § 19-212 of the Insurance Article, as enacted by  
14 Section 1 of this Act. An individual whose homeowner's insurance policy was canceled  
15 or nonrenewed on such a basis, and who has not subsequently obtained coverage in  
16 the voluntary market, may reapply to the insurer that canceled or refused to renew  
17 coverage, and the insurer may not refuse to issue renewal coverage including the same  
18 coverage that the homeowner's insurance policy provided before the cancellation or  
19 nonrenewal.

20           SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
21 June 1, 2011.