

HOUSE BILL 71

C4
HB 1383/12 – ECM

3lr1079

By: **Delegate O'Donnell**
Introduced and read first time: January 11, 2013
Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Homeowner's Insurance – Underwriting Based on Geographic Area**

3 FOR the purpose of establishing the requirements an insurer must meet before
4 refusing to issue or renew a policy of homeowner's insurance solely because the
5 insured property or the applicant's or insured's address is located within a
6 certain geographic area of the State; requiring an insurer to adopt a certain
7 underwriting standard and file the underwriting standard with the Maryland
8 Insurance Commissioner for approval; specifying the contents of a certain filing;
9 establishing that a certain underwriting standard may not take effect until a
10 certain number of days after it is filed with the Commissioner; establishing
11 certain exceptions; establishing certain requirements for a certain underwriting
12 standard; providing that certain information shall be open to public inspection;
13 authorizing the Commissioner to disapprove a filing under certain
14 circumstances; requiring the Commissioner to send certain notice of disapproval
15 of a filing under certain circumstances; requiring the Commissioner to hold a
16 hearing under certain circumstances; requiring the Commissioner to give
17 certain notice of the hearing; providing that certain provisions of law do not
18 apply to certain policies of homeowner's insurance; and generally relating to
19 underwriting standards for homeowner's insurance.

20 BY repealing and reenacting, with amendments,
21 Article – Insurance
22 Section 19–107
23 Annotated Code of Maryland
24 (2011 Replacement Volume and 2012 Supplement)

25 BY adding to
26 Article – Insurance
27 Section 19–215
28 Annotated Code of Maryland
29 (2011 Replacement Volume and 2012 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

3 **Article – Insurance**

4 19–107.

5 **(A) THIS SECTION DOES NOT APPLY TO A POLICY OF HOMEOWNER’S**
6 **INSURANCE THAT IS SUBJECT TO § 19–215 OF THIS TITLE.**

7 **[(a)] (B)** An insurer may not refuse to issue or renew a contract of motor
8 vehicle insurance, property insurance, or casualty insurance solely because the subject
9 of the risk or the applicant’s or insured’s address is located in a certain geographic
10 area of the State unless:

11 (1) at least 60 days before the refusal, the insurer has filed with the
12 Commissioner a written statement designating the geographic area; and

13 (2) the designation has an objective basis and is not arbitrary or
14 unreasonable.

15 **[(b)] (C)** A statement filed with the Commissioner under this section is a
16 public record.

17 **19–215.**

18 **(A) AN INSURER MAY NOT REFUSE TO ISSUE OR RENEW A POLICY OF**
19 **HOMEOWNER’S INSURANCE SOLELY BECAUSE THE SUBJECT OF THE RISK OR**
20 **THE APPLICANT’S OR INSURED’S ADDRESS IS LOCATED IN A CERTAIN**
21 **GEOGRAPHIC AREA OF THE STATE UNLESS:**

22 **(1) THE INSURER HAS ADOPTED A WRITTEN UNDERWRITING**
23 **STANDARD DESIGNATING THE GEOGRAPHIC AREA;**

24 **(2) THE INSURER HAS FILED THE UNDERWRITING STANDARD FOR**
25 **APPROVAL BY THE COMMISSIONER; AND**

26 **(3) THE COMMISSIONER HAS APPROVED THE UNDERWRITING**
27 **STANDARD IN WRITING.**

28 **(B) THE FILING REQUIRED UNDER SUBSECTION (A) OF THIS SECTION**
29 **SHALL BE MADE AT LEAST 90 DAYS BEFORE THE INSURER PROPOSES TO**
30 **IMPLEMENT THE UNDERWRITING STANDARD IN THE STATE.**

1 **(C) THE FILING REQUIRED UNDER SUBSECTION (A) OF THIS SECTION**
2 **SHALL INCLUDE:**

3 **(1) A MAP OR OTHER DOCUMENT AND A RATING RULE THAT**
4 **IDENTIFIES THE GEOGRAPHIC AREAS IN WHICH WRITINGS WILL BE**
5 **RESTRICTED;**

6 **(2) A COPY OF THE UNDERWRITING STANDARD THAT THE**
7 **INSURER PROPOSES TO IMPLEMENT;**

8 **(3) THE DATA RELIED ON BY THE INSURER IN DEVELOPING THE**
9 **UNDERWRITING STANDARD; AND**

10 **(4) THE DATE ON WHICH THE INSURER INTENDS TO IMPLEMENT**
11 **THE UNDERWRITING STANDARD.**

12 **(D) (1) EXCEPT AS PROVIDED IN THIS SECTION, AN UNDERWRITING**
13 **STANDARD SUBJECT TO THIS SECTION MAY NOT TAKE EFFECT UNTIL 90 DAYS**
14 **AFTER IT IS FILED WITH THE COMMISSIONER.**

15 **(2) DURING THE INITIAL 90-DAY WAITING PERIOD, THE**
16 **COMMISSIONER MAY EXTEND THE WAITING PERIOD FOR AN ADDITIONAL**
17 **PERIOD, NOT TO EXCEED 30 DAYS, BY WRITTEN NOTICE TO THE INSURER THAT**
18 **THE COMMISSIONER NEEDS ADDITIONAL TIME FOR CONSIDERATION OF THE**
19 **FILING.**

20 **(3) IF THE COMMISSIONER REQUIRES ADDITIONAL**
21 **INFORMATION, THE WAITING PERIOD AND ANY ADDITIONAL PERIOD UNDER**
22 **THIS SECTION SHALL BE TOLLED AND SHALL BEGIN AGAIN ON THE DATE THE**
23 **NEEDED INFORMATION IS RECEIVED.**

24 **(4) A FILING IS DEEMED APPROVED UNLESS DISAPPROVED BY**
25 **THE COMMISSIONER DURING THE WAITING PERIOD OR ANY EXTENSION OF THE**
26 **WAITING PERIOD.**

27 **(E) IF THE COMMISSIONER FINDS THAT COMPLIANCE WITH**
28 **SUBSECTION (B) OR (D) OF THIS SECTION WOULD RESULT IN IMPAIRMENT OF**
29 **THE INSURER OR A SIGNIFICANT FINANCIAL LOSS TO THE INSURER, THE**
30 **COMMISSIONER MAY ALLOW AN INSURER TO IMPLEMENT ITS UNDERWRITING**
31 **STANDARD DESIGNATING THE GEOGRAPHIC AREAS IN WHICH IT WILL RESTRICT**
32 **ITS WRITINGS WITHIN 30 DAYS AFTER THE FILING OF THE UNDERWRITING**
33 **STANDARD.**

1 **(F) AN UNDERWRITING STANDARD THAT RESTRICTS WRITINGS IN A**
2 **CERTAIN GEOGRAPHIC AREA, INCLUDING THE DESIGNATION OF THE AREA AND**
3 **ITS BOUNDARIES, SHALL:**

4 **(1) COMPLY WITH § 27-501(A) AND (B) OF THIS ARTICLE;**

5 **(2) BE DEMONSTRATED OBJECTIVELY;**

6 **(3) INCLUDE CONSIDERATION OF PAST AND PROSPECTIVE LOSS**
7 **EXPERIENCE WITHIN AND OUTSIDE THE STATE; AND**

8 **(4) INCLUDE A CONSIDERATION OF ALL RELEVANT HISTORICAL**
9 **WEATHER DATA FOR ANY RESTRICTION THAT IS BASED, IN WHOLE OR IN PART,**
10 **ON A CATASTROPHE MODEL.**

11 **(G) (1) THE INFORMATION FILED UNDER SUBSECTION (C)(1) AND (4)**
12 **OF THIS SECTION SHALL BE OPEN TO PUBLIC INSPECTION AS SOON AS IT IS**
13 **FILED.**

14 **(2) THE INFORMATION FILED UNDER SUBSECTION (C)(2) AND (3)**
15 **OF THIS SECTION IS SUBJECT TO § 27-501(H) OF THIS ARTICLE.**

16 **(H) (1) THE INSURER BEARS THE BURDEN OF PROOF TO**
17 **DEMONSTRATE THAT ITS PROPOSED UNDERWRITING STANDARD, INCLUDING**
18 **ITS GEOGRAPHIC DESIGNATION, MEETS THE REQUIREMENTS OF THIS SECTION.**

19 **(2) UNLESS THE INSURER DEMONSTRATES THAT ITS PROPOSED**
20 **UNDERWRITING STANDARD, INCLUDING ITS GEOGRAPHIC DESIGNATION, MEETS**
21 **THE REQUIREMENTS OF THIS SECTION, THE COMMISSIONER MAY DISAPPROVE**
22 **THE FILING AND PROHIBIT THE INSURER FROM IMPLEMENTING THE**
23 **UNDERWRITING STANDARD.**

24 **(3) IF, DURING THE WAITING PERIOD OR ANY EXTENSION OF THE**
25 **WAITING PERIOD, THE COMMISSIONER FINDS THAT AN INSURER'S FILING DOES**
26 **NOT MEET THE REQUIREMENTS OF THIS SECTION, THE COMMISSIONER SHALL**
27 **SEND WRITTEN NOTICE OF DISAPPROVAL TO THE INSURER.**

28 **(I) (1) IF, AFTER AN UNDERWRITING STANDARD SUBJECT TO THIS**
29 **SECTION HAS BEEN APPROVED OR OTHERWISE HAS BECOME EFFECTIVE, THE**
30 **COMMISSIONER HAS REASON TO BELIEVE THAT THE UNDERWRITING STANDARD**
31 **NO LONGER MEETS THE CRITERIA SET FORTH IN SUBSECTION (F) OF THIS**
32 **SECTION, THE COMMISSIONER MAY ORDER THE INSURER TO JUSTIFY THE**
33 **STANDARD.**

1 **(2) THE COMMISSIONER SHALL HOLD A HEARING BEFORE**
2 **ISSUING AN ORDER REVOKING APPROVAL OF THE INSURER'S UNDERWRITING**
3 **STANDARD.**

4 **(3) THE COMMISSIONER SHALL GIVE WRITTEN NOTICE OF THE**
5 **HEARING TO THE INSURER AT LEAST 10 DAYS BEFORE THE HEARING.**

6 **(4) THE NOTICE SHALL SPECIFY THE MATTERS TO BE**
7 **CONSIDERED AT THE HEARING.**

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
9 October 1, 2013.