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## **BULLETIN 12-16**

Date: August 16, 2012

To: All P&C Insurance Companies Writing Homeowners Insurance and the JIA

Re: Homeowner's Insurance-Limitation on Number of Claims Made-Notice (HB1068)

The purpose of this Bulletin is to clarify the applicability and content of the notice required by HB 1068 (Chapter 699, Acts of 2012), which applies to all homeowner's insurance policies issued or renewed on or after October 1, 2012. The legislation creates new Section 19-214 of the Insurance Article. That section requires all insurers offering homeowner's insurance to provide a written notice at the time of application or issuance and at each renewal of the policy that explains how claims may be considered for the purpose of cancellation or refusal to renew under Maryland law.

The law is applicable to homeowner's insurance, which is insurance for residential property that provides one or more of the following coverages:

- (i) Fire;
- (ii) Extended coverage;
- (iii) Vandalism and malicious mischief;
- (iv) Burglary;
- (v) Theft; or
- (vi) Personal liability.\*

Homeowner's insurance does not include an umbrella policy.

The insurer shall include language in the notice that states that, in addition to the other allowable reasons for cancellation or refusal to renew under Maryland law:

\*See the coverage provided by the Joint Insurance Association under Title 25, Subtitle 4 of the Insurance Article and the definition of "homeowner's insurance" in COMAR 31.15.11.03B(11).

1. The insurer may cancel or refuse to renew coverage on the basis of the number of claims made by the policyholder within the preceding three year period.
2. The insurer may cancel or refuse to renew coverage on the basis of three or more weather related claims made within the preceding three year period;
3. The insurer may consider one or more weather related claims made within the three year period for the purpose of cancelling or refusing to renew if the insurer has provided written notice to the insured for reasonable or customary repairs or replacement specific to the insured's premises or dwelling that:
  - a. The insured failed to make; and
  - b. If made, would have prevented the loss for which a claim was made; and
4. The insurer may cancel or refuse to renew coverage on the basis of a change in the physical condition or contents of the premises that:
  - a. Increases the hazard insured against; and
  - b. If present and known to the insurer before the issuance of the policy, would have caused the insurer to refuse to issue the policy.

Section 19-214 (b) of the Insurance Article sets out additional requirements for the repair notice if the notice is to be relied upon to terminate a homeowner's insurance policy. Specifically, the repair notice must refer to the specific conditions known to the insurer concerning the insured's specific premises or dwelling and may not be a general notification of repairs or replacements common to that type of premises or dwelling. Insurers are reminded that COMAR 31.15.10.02 also contains requirements regarding repair notices sent to insureds. Insurers must comply with the provisions of Section 27-501(a) (i) and (j) of the Insurance Article, as well as COMAR 31.15.10 when cancelling or non-renewing policies of homeowner's insurance.

If you have any questions regarding this Bulletin, please contact Sandra Castagna, Associate Commissioner, Property and Casualty at [scastagna@mdinsurance.state.md.us](mailto:scastagna@mdinsurance.state.md.us) or 410-468-2341.

**Therese M. Goldsmith  
Insurance Commissioner**

By: signature on original  
**Sandra Castagna  
Associate Commissioner  
Property and Casualty**