

MARTIN O'MALLEY
Governor

ANTHONY G. BROWN
Lt. Governor



THERESE M. GOLDSMITH
Commissioner

BETH SAMMIS
KAREN STAKEM HORNIG
Deputy Commissioners

200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202
Direct Dial: 410-468-2458 Fax: 410-468-2020
1-800-492-6116 TTY: 1-800-735-2258
bcharlow@mdinsurance.state.md.us
www.mdinsurance.state.md.us

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FOR INFORMATION, CONTACT:
BETSY CHARLOW
bcharlow@mdinsurance.state.md.us
410-468-2458

MARYLAND INSURANCE COMMISSIONER CLARIFIES INSURANCE COMPANIES' UTILIZATION OF PERCENTAGE DEDUCTIBLES FOR HOMEOWNERS IN AREAS AFFECTED BY HURRICANE IRENE

Baltimore, MD Maryland Insurance Commissioner Therese M. Goldsmith today issued Maryland Insurance Administration Bulletin 11-25 to remind property insurers that Maryland law provides that "hurricane deductibles" pay be imposed only in limited circumstances. To lawfully impose a percentage deductible for hurricane damage, the insured's home must be located in a part of Maryland that was subject to a hurricane warning.

For Hurricane Irene, the National Hurricane Center of the National Weather Service has confirmed today that only the following Maryland counties were under hurricane warnings: Caroline, Dorchester, Somerset, St. Mary's, Talbot, and Wicomico (expiring at 5 a.m. Sunday, August 28, 2011); and Worcester (including Ocean City) (expiring at 11 a.m. Sunday, August 28, 2011).

Section 19-209 of the Insurance Article of the Annotated Code of Maryland allows insurers to charge a deductible based on a percentage of the policy's "Coverage A—Dwelling Limit." However, § 19-209(b) limits the applicability of a percentage deductible to properties located in part of the State for which the National Hurricane Center of the National Weather Service issued a hurricane warning. If an insured's home is not located in a part of the State that was subject to such a hurricane warning then a percentage deductible may not be imposed. The law also provides that a percentage deductible only can be applied to a loss or damage that takes place while the hurricane warning is in effect and until twenty-four (24) hours after the termination of the last hurricane warning issued for the part of the State in which the insured's home is located.

The MIA, founded as the Maryland Insurance Division in 1872, is an independent state agency located in downtown Baltimore. The agency regulates Maryland's \$26 billion insurance industry and makes certain that insurance companies, health plans and producers (agents and brokers) comply with Maryland insurance law. The MIA also licenses over 110,000 producers and approximately 1,500 insurance companies, regulates insurance rates, monitors insurer solvency, investigates consumer complaints and travels across the state to provide consumers with educational materials on insurance. These materials are available at www.mdinsurance.state.md.us.