

MARTIN O'MALLEY  
Governor

ANTHONY G. BROWN  
Lt. Governor



RALPH S. TYLER  
Commissioner

BETH SAMMIS  
Deputy Commissioner

525 St. Paul Place, Baltimore, Maryland 21202-2272  
1-800-492-6116 TTY: 1-800-735-2258  
www.mdinsurance.state.md.us

**BULLETIN 08-01**

**To: Property and Casualty Insurers and All Interested Parties**

**Re: §19-107 Filings - Refusals to Issue or Renew Insurance because of Location.**

**Date: January 3, 2008**

\*\*\*\*\*

The Maryland Insurance Administration has learned that many carriers were unaware of or have failed to comply with the requirements of Section 19-107 of the Insurance Article. The purpose of this Bulletin is to:

- remind insurers of the existence of this statute that has been Maryland law for many years;
- identify those items which, at a minimum, must accompany a filing submitted pursuant to §19-107;
- identify other filings that must be submitted concurrently with an insurer's §19-107 filing;
- provide examples of material that insurers have submitted in the past to demonstrate an objective basis for their decision; and
- provide answers to the frequently asked questions regarding this statute and these types of filings.

**§19-107 (2006 Repl. Vol.)**

*Refusals to issue or renew insurance because of location.*

- (a) *In general.* – An insurer may not refuse to issue or renew a contract of motor vehicle insurance, property insurance, or casualty insurance solely because the subject of the risk or the applicant’s or insured’s address is located in a certain geographic area of the State unless:
- (1) at least 60 days before the refusal, the insurer has filed with the Commissioner a written statement designating the geographic area; and
  - (2) the designation has an objective basis and is not arbitrary or unreasonable.
- (b) *Statement as public record.* – A statement filed with the Commissioner under this section is a public record.

This means that any insurer seeking to impose restrictions on its writings, be it new business or renewal business, based on the geographic location of the risk must first make a filing with the Administration that is in compliance with §19-107. Relying on underwriting guidelines is not sufficient and is not in compliance with Maryland law.

**Items That, At a Minimum, Must Accompany a Filing:**

- A colored state maps identifying, by color, each area within the State where the restrictions are being imposed. If different restrictions apply to different areas within the state, a different color must be used for each area of restriction. Maps must be submitted to the MIA either electronically or on a CD.
- Specific detailed rules explaining/describing whether the restrictions apply to only new business, only renewal business, or both. Separate filings must be submitted for each Line of Business (“LOB”) to which the rules apply. It is acceptable to have different rules and restrictions for different LOBs if they are supported by an objective basis and are not arbitrary or unreasonable.
- If renewal business is to be affected by the geographic restriction, the insurer must provide the Administration with a listing of the number of policyholders by month, zip code and rating territory that will be impacted.
- If Probable Maximum Loss (“PML”) per risk capping or territorial capping are included in the carrier’s restrictions, a detailed explanation must be provided explaining/describing the derivation of the cap, what coverages are included in the calculation and how any caps or PML limitations will be allocated among agents, exposures, etc. **Example:** Is the cap calculated using only building coverage, building plus contents, building plus contents plus business interruption, etc.? Are separate fire areas considered when calculating caps? Does the insurer impose a specified dollar amount of total exposure they will write in a given area? Please note that these types of explanations may be provided as part of an underwriting guideline and may be kept confidential if a carrier so requests. However, these submissions should be made in paper and not through SERFF in order to protect their confidentiality.

- All filings must provide written justification for any restriction and/or limitation the carrier is seeking to impose. **Example:** If the insurer has determined that it will not write any new business located within 1 mile of the Atlantic Ocean, then justification, actuarial support, or other relevant data must be submitted to justify the selection of the 1 mile restriction (as opposed to 1,000 feet, ½ mile, 2 miles, etc.).

### **Frequently Asked Questions:**

- **To what lines of insurance does §19-107 apply to?**  
*According to the language of the statute, this section applies to motor vehicle insurance, property insurance and casualty insurance. If an insurer is licensed to offer one or more of these lines and it makes a decision to impose geographic restrictions or limitations, then the carrier must make a filing with the Administration.*
- **Does premium volume affect whether an insurer must submit a filing?**  
*No, §19-107 makes no reference to the premium volume an insurer writes and it sets out no exceptions to the requirements for those carriers with a small premium volume. Thus, if a carrier seeks to impose a geographic restriction or limitation, a §19-107 filing must be submitted to the Administration and be acknowledged by the Administration.*
- **Are separate filings required for each line of business and/or program?**  
*Yes, separate filings are required for each line of business (LOB) – regardless of whether the insurer imposes identical restrictions to all its lines. If a carrier elects to apply different restrictions on different programs within the same LOB, then separate filings would be required for each program within the LOB.*
- **How should §19-107 filings be submitted?**  
*An insurer may make the §19-107 filing either through SERFF or in a paper filing. If a paper filing is submitted, the carrier must include a CD containing the colored State map showing the area(s) where it plans to impose the restrictions or limitations.*
- **Are filing fees required?**  
*Yes, as with any filing, the statutory filing fees apply.*
- **Why are rating rules required to be submitted concurrently with §19-107 filings?**  
*Rating rules must accompany §19-107 filings to enable the Administration to know that while the insurer may, in general, have rates on file for a given geographical territory, there are certain specific sub-areas within that rating territory where those filed rates do not apply. To ensure consistency in the application of these rating rules, underwriting eligibility guidelines must track with the filed rating rule. Again, if underwriting guidelines are submitted to the MIA as part of the filing and the carrier wishes to keep them confidential, those underwriting guidelines should be submitted in paper form, not through SERFF, and be clearly marked as confidential underwriting guidelines and be accompanied by a letter requesting they be kept confidential.*

- **Is an insurer required to submit a §19-107 filing if the insurer is merely refusing to offer coverage for certain perils on risks/exposures located within designated geographic areas?**

*Yes, the Administration interprets an insurer's refusal to provide coverage for certain perils as being included under §19-107. **Example:** An insurer is willing to offer coverage for the perils of fire and vandalism but refuses to offer coverage for the windstorm peril for risks located within 1 mile of the water. A §19-107 filing would be required.*

- **Can underwriting eligibility guidelines substitute for a §19-107 filing?**

*No, underwriting eligibility guidelines may not be substituted for the required filing. They may be used to supplement or explain the filing, but cannot be used in lieu of a §19-107 filing. Again, if underwriting guidelines are submitted to the MIA as part of the filing and the carrier wishes to keep them confidential, those underwriting guidelines should be submitted in paper form, not through SERFF, and be clearly marked as confidential underwriting guidelines and be accompanied by a letter requesting they be kept confidential.*

- **Is an insurer required to resubmit §19-107 filings if they were previously filed with the Administration?**

*No, if the carrier has the same restrictions in place as it had previously filed with the Administration and those restrictions remain unchanged, no re-filing is necessary. However, the Administration may request copies of the earlier filing(s) to ensure that they were previously filed.*

- **If an insurer has previously filed a rating rule that restricts coverage, but has not submitted the required §19-107 filing, is the insurer in compliance with Maryland law?**

*No, a rating rule merely recites the restrictions contained and supported in a §19-107 filing. Without the required §19-107 filing, there is no objective basis on which to determine whether the restrictions contained in the rule are arbitrary or unreasonable. An insurer must comply with §19-107.*

- **What does an insurer do if it is already imposing restrictions but have not submitted the required filings?**

*The insurer must immediately cease applying the geographic restriction until such time as the carrier has made a §19-107 filing that is acknowledged by the Commissioner. For those insurers applying unfiled geographic restrictions, in addition to immediately ceasing its use, the insurer should contact the Administration and report its non-compliance.*

If you have questions regarding this Bulletin, please contact:

Dave Diehl, ARM, AAI, AAM  
Chief Administrator, P&C  
Maryland Insurance Administration  
Phone: (410) 468-2320  
Email: [ddiehl@mdinsurance.state.md.us](mailto:ddiehl@mdinsurance.state.md.us)

If you have questions regarding the process for submitting the §19-107 filing, please contact:

Anne Christ  
Lead Insurance Analyst, P&C  
Maryland Insurance Administration  
Phone: (410) 468-2313  
Email: [achrist@mdinsurance.state.md.us](mailto:achrist@mdinsurance.state.md.us)

**Ralph S. Tyler, Insurance Commissioner**

**By:** \_\_\_\_\_  
P. Randi Johnson, Associate Commissioner  
Property & Casualty