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BULLETIN 09-08

To: Property and Casualty Insurers and Interested Parties

Re: Implementation Guidelines for Windstorm or Other Storm Discounts and Credits Required Under §19-210 for Homeowner Policies Effective 6/1/2009

Date: April 16, 2009

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The Omnibus Coastal Property Insurance Reform Act of 2008 amended the Insurance Article to add section §19-210 – Actuarially justified premium discount. This new section requires that an insurer shall offer *at least one* actuarially justified premium discount on a policy of homeowner's insurance to a policyholder who submits proof of improvements made to the insured premises as a means of mitigating loss from a hurricane or other storm.

This Bulletin provides guidance to insurers as to the type of discounts that an insurer may offer to homeowners who have undertaken improvements to fortify their homes against weather related damages due to hurricanes or other storms.

Questions and Guidelines

1. What Is Meant By Homeowner's Insurance?

Homeowner's Insurance is insurance for residential property that provides a combination of coverages including:

- (1) fire;
- (2) extended coverage;
- (3) vandalism and malicious mischief;
- (4) burglary;
- (5) theft; and
- (6) personal liability.

It also includes farm owner's, condominium owner's, mobile homes and manufactured homes.

2. What Are Typical Homeowner's Insurance Coverage Forms?

Typical coverage forms include:

- (1) HO-2 Broad Form (Named Peril)
- (2) HO-3 Special Form
- (3) HO-4 Renters Form (Contents Broad Form)
- (4) HO-6 Condominium Unit Owners Form
- (5) Market Value or Older Homes Forms (Modified Coverage Forms)
- (6) Similar Forms covering mobile-homes, modular-homes and manufactured homes.

3. To What Geographical Areas Does §19-210 Apply?

The entire state of Maryland. The statute does not contain any geographic limitations.

4. May A Home Qualify For More Than One Discount or Credit?

Yes. The statute requires insurers to offer at least one actuarially justified premium discount or credit. However, the statute does not place any limitation on an insurer from offering multiple discounts or credits to its policyholders.

5. May An Insurer Place A Cap On The Maximum Discount or Percentage Credit Granted To A Single Home?

Yes. The statute requires that credits be actuarially justified, but there is no prohibition on the capping of discounts or credits.

6. May An Insurer Offer Discounts or Credits Other Than Those Specifically Listed In The Statute?

Yes. Under §19-210(b)(3), mitigation includes "any mitigation effort that materially mitigates loss from a hurricane or other storm otherwise covered under the policy."

7. May Discounts or Credits For Mitigation Be Applied To A Policy Mid-Term Or Only At Renewal Or At Policy Inception For New Business?

Discounts or credits may be applied anytime. There is no restriction imposed as to the effective date of application of mitigation discounts or credits. An Insurer shall apply the mitigation discount or credit to a homeowner's insurance policy upon its verification or satisfaction that the policyholder's or applicant's home contains the improvement or mitigation.

8. May Discounts or Credits Be Removed From A Homeowner's Insurance Policy If The Original Improvements Are Removed, Disabled Or Are No Longer Included In The Insurer's Filed Rating Plan?

Yes. Discounts or credits may be removed at policy expiration/renewal. A Homeowner Policy that no longer qualifies for a credit should not receive a discount or credit.

9. What Filings Must Be Submitted Before An Insurer May Offer Mitigation Discounts or Credits?

Rates and Rules: A rate/rule filing must always be submitted.

Forms: If an insurer intends to attach a specific mitigation form or endorsement to the homeowner's policy, that specific form or endorsement must also be filed.

10. Does An Insurer Have To File The Annual Statement Form Referenced In §19-210(f)?

No. The revised annual statement form (required by §19-205) does not have to be filed. Insurers may refer to Bulletin 06-21 for sample copies of the initial annual statement form suggested by the Maryland Insurance Administration. An insurer may modify/update these forms to include information regarding the availability of the specific discounts or credits offered by the insurer and the method of applying for the discount or credit.

Bulletin 06-21 may be found on the Maryland Insurance Administration's website at: <http://www.mdinsurance.state.md.us/sa/documents/BulletinP&C06-21-HB1261.pdf>

11. Does An Insurer Have To File The Form The Policyholder Or New Business Applicant Uses To Apply For The Mitigation Discount or Credit?

No. The application form is not required to be filed unless the insurer attaches the application form to the policy and the form becomes part of the insurance contract.

12. How Will The Maryland Insurance Administration Verify That Insurers Are Complying With All The Requirements Of This Legislation?

Typical ways of verification include Market Conduct examinations, inquiries or surveys and through Consumer Complaints. The Maryland Insurance Administration would seek the appropriate relief, including sanctions, for violations or the law.

13. Does The Maryland Insurance Administration Intend To Issue Regulations To Supplement This Bulletin?

No, not at this time. The Maryland Insurance Administration believes that the statute is clear. This Bulletin is provided as guidance to insurers to facilitate compliance.

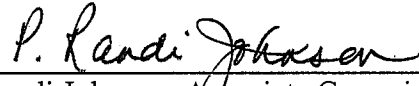
Please direct any questions you may have regarding the content of this bulletin to:

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