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STATE OF MARYLAND
MARYLAND INSURANCE ADMINISTRATION
525 St. Paul Place, Baltimore, Maryland 21202-2272

BULLETIN 08-17

To: All Property & Casualty Insurers

Re: House Bill 405

Date: August 4, 2008

The purpose of this Bulletin is to remind all property and casualty insurers of the enactment of House Bill 405, which becomes effective October 1, 2008 and which amends Section 19-202 of the Insurance Article, and to provide guidance on the manner in which this legislation is to be implemented.

Section 19-202 of the Maryland Insurance Article requires that all insurers writing homeowners insurance in the State offer coverage for loss that is caused by or results from water that backs up through sewers or drains and is not caused by the negligence of the insured. The language added by House Bill 405 requires that this mandatory offer be made in writing at the initial application and at each renewal.

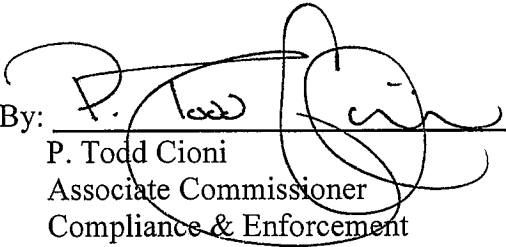
For the initial offer at application, an insurer may either: 1) make this offer part of the application itself so that the applicant is offered the option of purchasing this coverage and is required to accept or reject the coverage while completing the application; or it may 2) make the offer of coverage a separate form that clearly requires the applicant to accept or reject this coverage and that form is kept as part of the application records.

At renewal, an insurer may notify the insured of the option of purchasing this coverage by including the offer in the renewal package that is sent to the insured in advance of the renewal date. The offer of coverage must clearly state that the offer is mandatory and provides coverage for loss that: (1) is caused by or results from water that backs up through sewers or drains; and (2) is not caused by negligence of the insured. The offer should also include language that instructs the insured on how to obtain the coverage should the insured elect to purchase same. Please note that it is the position of the Administration, that including this mandatory offer as

part of the list of optional coverages that are available for an insured to purchase as required by Section 19-207 is not sufficient, in and of itself, to satisfy the requirement that this offer be made to the insured at renewal.

Questions regarding this Bulletin may be addressed to the Property & Casualty Section of the Compliance and Enforcement Unit at 410-468-2323.

Ralph S. Tyler, Insurance Commissioner

By: 
P. Todd Cioni
Associate Commissioner
Compliance & Enforcement