

HB 532 -- Property Insurance

Co-Sponsors: Zweifel, Whorton, Corcoran, Sager, Taylor

This bill makes several changes to the laws governing property insurance and the Basic Property Insurance Inspection and Placement Program. Regarding property insurance in general, the bill:

- (1) Clarifies that the definition of a property insurance "claim" does not include an inquiry as to whether a particular loss is covered by the policy;
- (2) Prohibits property insurers from using an inquiry of whether a particular loss is covered as a basis for the non-renewal of a policy;
- (3) Requires that when a property insurance policy is canceled because of an increase in risk due to a physical change in the property, that physical change must be "significant";
- (4) Increases the notice period for cancellation of a property insurance policy from 30 days to 60 days;
- (5) Prohibits a property insurer from citing a generalized term of "poor credit history" when explaining the reason for cancellation or non-renewal of a policy;
- (6) Prohibits insurers from using "weather-related claims" as a basis for non-renewal of a policy. A weather-related claim is defined as any loss resulting from an act of God which an insured is unable to reduce the risk; and
- (7) Prohibits property insurers from using a rating system that surcharges an insured for weather-related claims or inquires regarding coverage.

Regarding the Basic Property Insurance Inspection and Placement Program, the bill:

- (1) Changes the name of the Basic Property Insurance Inspection and Placement Program to the Fair Access to Insurance Requirements (FAIR) Plan;
- (2) Increases the maximum liability limits for the plan from \$100,000 to \$300,000 for residential property and from \$1 million to \$3 million for commercial property;
- (3) Requires the "facility" (the association of insurers that administers the FAIR Plan) to provide, upon request, a list of

all those insured by the plan;

(4) Makes all policies issued under the FAIR Plan subject to the Unfair Claim Settlement Practices Act and the Unfair Trade Practices Act;

(5) Requires that when a policy is canceled because of a physical change in the property, the Department of Insurance must be provided a copy of the findings at least 10 days before the cancellation takes effect;

(6) Requires that the facility must provide the insured with the actual reason for any cancellation or non-renewal. The reason must be given in clear and specific language that a person of normal intelligence can understand; and

(7) Adds two members, appointed by the Governor, to the governing committee of the facility to represent consumers.