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Bulletin 19-12

Date: July 25, 2019

**To: All Property & Casualty Insurers
All Property & Casualty Producers**

**Re: Coverage and claim obligations associated with § 19-202, Annotated Code of Maryland,
Insurance Article and COMAR 31.08.14**

This Bulletin provides important information for all Property & Casualty insurers and producers with respect to the obligations arising from Section 19-202 of the Insurance Article, entitled “**Coverage for Water Damage.**” In the aftermath of multiple significant rain events that took place across Maryland in the Spring and Summer of 2018, the Maryland Insurance Administration (“Insurance Administration”) became aware of non-compliance situations involving both the coverage offer requirement imposed by this statute and the handling of claims made by policyholders who had purchased the coverage in question. This Bulletin will serve to remind insurers and producers of the requirements imposed by this statute.

§19–202. Coverage for water damage.

- (a) An insurer that issues, sells, or delivers a homeowner’s insurance policy shall at time of application and renewal offer in writing to provide 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 the negligence of the insured.
- (b) If an application or renewal is made by telephone, the insurer is deemed to be in compliance with subsection (a) of this section if, within 7 calendar days after the date of application or renewal, the insurer sends the offer to the applicant or insured by a first–class mail tracking method.
- (c) If an application or renewal is made using the Internet, the insurer is deemed to be in compliance with subsection (a) of this section if the insurer provides the offer to the applicant or insured prior to submission of the application or renewal.
- (d) An offer required by this section may be delivered by electronic means if the insurer complies with the requirements of § 27–601.2 of this article.
- (e) An insurer may comply with the renewal notice requirements of this section by sending the notice authorized by § 19–216 of this subtitle.

COVERAGE OFFER REQUIREMENT

At the time of application and at each policy renewal, an insurer that issues, sells or delivers a homeowner's policy in Maryland **must** offer coverage at full policy limits¹ for loss that results from water that backs up through sewers and drains and is not caused by the insured's negligence. This offer of coverage is required to be made in writing.

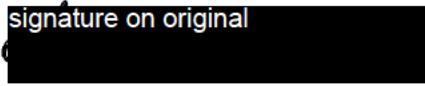
CLAIMS

Losses claimed under the water damage endorsement required to be offered under Section 19-202 and purchased by the insured are payable if the water enters the home via a sewer or drain and was not caused by the insured's negligence. Water includes sewage and other waterborne waste matter.² Such claims are payable even if the water damage occurs simultaneously with rainfall.³

Please direct any questions regarding this Bulletin to Robert Baron, Associate Commissioner, Property & Casualty (410.468.2353 / Robert.Baron@Maryland.gov).

Alfred W. Redmer, Jr.
Commissioner

By:

signature on original


Robert Baron
Associate Commissioner, Property & Casualty

¹ COMAR 31.08.14.03 requires an offer for full coverage limits. An insurer that offers full coverage limits may also offer additional coverage limit options to the insured.

² See COMAR 31.08.14.02 B. (10)

³ This Bulletin does not act to alter in any way the terms and conditions of an insurance policy or an endorsement to an insurance policy that have been filed and approved for use in Maryland.