



**State of Maryland**  
**OFFICE OF THE ATTORNEY GENERAL**

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**ANNUAL REPORT OF THE PEOPLE'S INSURANCE COUNSEL DIVISION**

**Fiscal Year 2014**

**Submitted to the Governor and General Assembly**

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## **I. INTRODUCTION**

The People's Insurance Counsel Division in the Office of the Attorney General (hereinafter referred to as the "Division") submits this annual report as required by the Maryland General Assembly.<sup>1</sup> On or before the First of January of each year, the Division reports on its activities for the prior fiscal year. This report covers the time period from July 1, 2013 through June 30, 2014.

### **A. Statutory Basis and Funding**

The Division was created in 2005 with the enactment of the Maryland Patients' Access to Quality Health Care Act of 2004 (hereinafter referred to as "Act").<sup>2</sup> The provisions of the Act relating to the Division have been codified in Md. Code Ann., State Government Section 6-301 through 6-308.

Funding of the Division is provided through a People's Insurance Counsel Fund consisting of funds collected by the Maryland Insurance Commissioner (hereinafter referred to as the "Commissioner") through an annual assessment from each medical professional liability insurer and homeowners' insurer issuing policies in the State. The purpose of the Fund is to pay the costs and expenses of the Division in carrying out its duties.<sup>3</sup>

### **B. Statutory Duties**

The duties of the Division include evaluation of each medical professional liability insurance and homeowners' insurance matter pending before the Commissioner to determine whether the interests of insurance consumers are affected.<sup>4</sup> The Division also reviews any rate increase of 10% or more filed with the Commissioner by a medical professional liability insurer or homeowners' insurer. If the Division determines that a rate increase is adverse to the interests of consumers, its representative shall appear before the Commissioner at any hearing on the rate

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<sup>1</sup> Md. Code Ann., State Government § 6-308.

<sup>2</sup> The Act was introduced as an emergency measure as House Bill 2 in a 2004 Special Session of the Maryland General Assembly convened on December 28, 2004. The Bill passed and was enacted in 2005 over the Governor's veto with an effective date of January 11, 2005. The Act was amended in 2005, effective March 31, 2005, by another emergency measure, House Bill 836.

<sup>3</sup> Md. Code Ann., State Government §§ 6-304 and 6-305. Because the duties of the Division only involve two types of insurance, homeowners insurance and medical professional liability insurance, the insurers who are assessed for the Fund are limited to the insurers issuing those types of policies in Maryland.

<sup>4</sup> Md. Code Ann., State Government § 6-306(a). The Act defines insurance consumers as those insured under homeowners policies or medical professional liability insurance policies.

filing. At any time, the Division may conduct investigations and request the Commissioner to initiate an action or proceeding to protect the interests of insurance consumers.<sup>5</sup>

In any appearance before the Commissioner or the courts, the Division has the rights of counsel for a party to the proceeding, including summoning witnesses, cross-examination of witnesses, presenting evidence and argument.<sup>6</sup> The Division may also take depositions in proceedings before the Commissioner and in proceedings in court, in accordance with applicable law and procedure.

The Division “shall have full access to the Commissioner’s records,” including rate filings, and shall have the benefit of all other information of the Commissioner.<sup>7</sup> The Division is entitled to the assistance of the Commissioner’s staff provided that the assistance is consistent with the staff’s responsibilities and with the respective interests of the staff and the Division.<sup>8</sup>

The Division may recommend legislation on matters that promote the interests of insurance consumers in Maryland.<sup>9</sup>

## **II. DIVISION STAFF AND BUDGET**

In Fiscal Year 2014, the Division was staffed by the People’s Insurance Counsel, Peter K. Killough,<sup>10</sup> an Assistant Attorney General, an analyst/investigator, and a management associate.

Three actuarial firms provided consulting services to the Division reviewing rates and other documents that were filed by insurers issuing policies in Maryland. The following consultants were selected for their expertise in property and casualty rate filings: American Actuarial Consulting Group, LLC, Kufera Consulting, Inc. and Madison Consulting Group.

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<sup>5</sup> The Division’s duties are described in Md. Code Ann., State Government § 6-306.

<sup>6</sup> Md. Code Ann., State Government § 6-307.

<sup>7</sup> Md. Code Ann., State Government § 6-307(c). The Division’s access to information is only limited by applicable statutes in the Insurance Article and the Maryland Public Information Act, State Government Article, §§ 10-611 to 10-630.

<sup>8</sup> Md. Code Ann., State Government § 6-307 (c)(2).

<sup>9</sup> Md. Code Ann., State Government § 6-307(d).

<sup>10</sup> Mr. Killough was appointed by Attorney General Douglas F. Gansler and the appointment was confirmed by the Senate on February 16, 2009, as required by Md. Code Ann., State Government § 6-302(a)(2).

### III. DIVISION RESPONSIBILITIES

The Division concentrates its efforts in four areas:<sup>11</sup>

- Review of consumer complaints filed with the Maryland Insurance Administration (hereinafter “MIA”) relating to homeowners insurance and medical professional liability insurance;
- Review of rate, rule and form filings in those two lines of insurance;<sup>12</sup>
- Review of proposed legislation and participation in the legislative process, as required, to represent consumer interests; and
- Review of “lack of good faith complaints” under Insurance Article Section 27-1001.<sup>13</sup>

#### A. Division Review of Complaint Determination Letters

After a consumer has initiated a complaint with the MIA regarding the action of an insurance company, the MIA conducts an investigation and issues a determination letter to the complainant and insurer at the completion of its investigation. The Division reviews all complaint determination letters to identify new issues and to assess the existence of patterns of insurer conduct contrary to the insurance laws. The complaints primarily relate to the cancellation or non-renewal of coverage, increase in premiums, modification of coverage, claim denial or claim settlements.

It has become the practice of the Division to issue its own explanatory letter and printed materials to the majority of individuals who have received an MIA determination letter.<sup>14</sup> The

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<sup>11</sup> The Division has interpreted its statutory authority to include the review of any matter before MIA that impacts homeowners and medical professional liability policyholders. This decision derives from the Division’s broad mandate to review “each medical professional liability insurance and homeowners insurance matter pending before the Commissioner.” Md. Code Ann., State Government § 6-306(a). Rate filings are reviewed pursuant to a specific mandate to “review any rate increase of 10% or more filed with the Commissioner by a medical professional liability insurer or homeowners insurer.” Md. Code Ann., State Government § 6-306(a).

<sup>12</sup> In this Report, references to “Rate Filings” shall mean all filings made under Insurance Article, Title 11, including new and revised rates, rating rules, policy forms and supplementary rate information.

<sup>13</sup> Md. Code Ann., Ins. Art. § 27-1001, Effective October 1, 2007.

<sup>14</sup> PICD letters are not sent to individuals whose complaints have been resolved in their favor, who have withdrawn their complaints, or who have replaced their coverage resulting in an MIA letter stating that the issue is rendered moot and no remedy is available.

Division's letter explains that a staff member is available to discuss a consumer's right to an administrative hearing and explain applicable statutory and regulatory frameworks for hearings. Through calls from consumers who have received the Division's letter, the Division obtains additional information about company practices beyond the information detailed in the determination letters themselves. The Division's review of the determination letters has provided an opportunity to understand the procedures and policies of insurers in making underwriting and claim decisions that, at times, appear to adversely affect consumers generally. The Division routinely advises consumers that it does not provide legal representation for individuals in their disputes with insurers, although the Division attorneys will give guidance to consumers about the administrative hearing process.

As in the past fiscal year, the Division has found that there are significantly more homeowners' insurance complaints than medical professional liability insurance related complaints. Most homeowners' insurance complaints involve either consumer dissatisfaction with the handling or payment of a claim or with the action taken by an insurer to cancel insurance coverage or decline to renew coverage.

The Division reviewed 582 homeowners' insurance complaint determination letters issued by MIA between July 1, 2013 and June 30, 2014. (*See Appendix A*). Of the 582 complaint matters, MIA found 18 insurance company violations of the insurance laws. In addition to reviewing complaint determination letters, the Division received and reviewed 54 Final Orders that were issued by the MIA following hearings held during fiscal year 2014. Among these Orders, two were found in favor of the Complainant.

Each year, the Division investigates consumer complaint matters that appear to involve insurance law violations. Most matters are addressed informally through discussions with the MIA, the insurer and the consumer.

## **B. Division Review of Rate Filings**

Insurance companies issuing homeowners' policies in Maryland are required by Title 11 of the Insurance Article to file with the Commissioner all rates, supplementary rate information, policy forms, endorsements and modifications of any of these documents.<sup>15</sup> Homeowners' insurance is subject to the competitive ratings laws. Insurers are allowed to use the filed rates

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<sup>15</sup> Md. Code Ann., Ins. Art. § 11-206.

without obtaining the prior approval of the Commissioner.<sup>16</sup> All policy forms must be approved by the Commissioner before use in Maryland.<sup>17</sup>

Insurance companies issuing medical professional liability insurance policies in Maryland are required by statute to obtain the approval of the Commissioner before using rates, rules, policy forms and any modifications of such documents.<sup>18</sup> These filings may not take effect until 30 working days after filing with the Commissioner.<sup>19</sup>

The Division reviewed a total of 712 insurance filings for FY 2014 (*See Appendix B*). The Division expressed concern about several filings to the MIA who, in response, either rejected the filing or persuaded the company to withdraw or modify the filing. Accordingly, The Division did not initiate any hearings in FY 2014 on these filings. Five of these filings, however, remain unresolved and will likely result in a hearing request.

### **1. Homeowners Insurance**

The Division reviewed 577 homeowners filings made with the MIA during the fiscal year. (*See Appendix B*) These filings included rate increases and decreases, new rating rules, rule changes, new policy forms, and revisions to policy forms. Typically, the effect of a rate, rule or form change on consumers is not easily ascertained without in-depth analysis of the filing. The services of three actuarial consulting firms, each under contract with the Division, are used to analyze each filing that included actuarial data. In most instances, the Division's consultants determined that filings did not include adequate supporting actuarial data and the Division's consultants generated questions on the filed documents and made requests for additional supporting information. Following review and approval by the Division, these questions and requests were forwarded to the filing insurer. The Division, through its consultants, advised the MIA of inquiries being forwarded to the insurers. With a few exceptions, the Division consultants received satisfactory responses from the insurers' actuaries. In several cases, however, the insurers' responses were unsatisfactory, and the Division notified the MIA of its concerns, and all were resolved with MIA's intervention.

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<sup>16</sup> Md. Code Ann., Ins. Art. § 11-307.

<sup>17</sup> The General Assembly enacted a statute, effective October 1, 2011, that provides that homeowners' insurance companies may not cancel, refuse to underwrite or renew, refuse to issue a policy, or refuse to pay a claim under a homeowner's policy to a co-insured "victim" of a crime of violence. *See* Md. Code Ann., Ins. Art. § 27-504.1.

<sup>18</sup> Md. Code Ann., Ins. Art. § 11-206(a).

<sup>19</sup> Md. Code Ann. Ins. Art. § 11-206(g).

## Availability of Homeowners Insurance in Coastal and Bay Areas

In FY 2014, the Division reviewed numerous filings affecting homeowners' insurance coverage in Coastal Maryland and along the Chesapeake Bay and its tributaries. This included filings establishing or increasing hurricane deductibles and filings which, under Section 19-107 of the Insurance Article, allowed some insurers to discontinue writing new homeowners' policies in designated high risk geographic areas. The Division's consultants reviewed all data supporting these filings, as well as any supplemental information provided to the MIA in response to MIA requests and requests from the Division. Additionally, the Division attended presentations by companies which develop Hurricane Catastrophe Planning Models for use by these insurance producers.<sup>20</sup>

As a result of the Commissioner's approval of Allstate's 2007 filing that allowed Allstate to no-write in a vast area of Maryland (which included all or part of eleven counties) and which the Division challenged in the Court of Appeals,<sup>21</sup> it is easier for insurance companies to satisfy the requirements of the Insurance Article when restricting insurance in coastal Maryland due to the threat of catastrophic losses stemming from a hurricane. In FY 2014, the Division noted that newly licensed homeowners' insurance companies entering Maryland's market, frequently copied their Section 19-107 coastal underwriting restrictions from competitor companies, some of which were not yet approved by MIA. Other companies' proposed increases to their no-write zones in FY 2014 to include areas from 1000 feet to within 5 miles of the Chesapeake Bay shoreline. The Division continues to believe that there is no "economic and business purpose" for companies to restrict underwriting in vast areas in eastern and southern Maryland. Interestingly, Allstate itself bolstered the Division's position in this regard when it drastically reduced its no-write zone in FY 2013. Additionally, many companies, including Allstate, reduced the hurricane percentage deductibles for all areas of Maryland. The Division will continue to monitor Section 19-107 filings to determine whether such filings satisfy the Insurance Article.

All insurance companies writing in the Maryland coastal areas require insureds to have hurricane percentage deductibles. Pursuant to Section 19-209 of the Insurance Article, these insurers, however, may not issue a policy of homeowner's insurance that requires a deductible that exceeds 5% of the "Coverage A – Dwelling Limit" of the policy in the case of a hurricane or other storm unless certain criteria is met. On March 27, 2013, the Division met with the MIA and

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<sup>20</sup> The modeling companies included: AIR Worldwide Corp., EQECAT, Inc., Risk Management Solutions, Inc., and CoreLogic. Additionally, many companies follow the Catastrophe Planning rules dictated by re-insurance companies such as Towers Watson.

<sup>21</sup> See *People's Insurance Counsel Division v. Allstate Insurance Co.*, 424 Md. 443 (2012).

various industry trade groups to discuss the Commissioner's proposed new regulation COMAR 31.08.13.01 – .06, which specifies the circumstances under which an insurer may apply a percentage deductible claim for a covered loss due to a hurricane or other storm; establishes procedures and standards for an insurer to file and the Commissioner to approve or disapprove an underwriting that contains a percentage deductible that exceeds 5% in the case of a hurricane or other storm; and establishes standards and procedures for the content and delivery of the annual statement that an insurer is required to provide regarding a percentage deductible in the case of a hurricane or other storm. The industry had many objections to the MIA's proposed regulation. The Division was able to advocate on behalf of insurance consumers and, on June 23, 2014, the MIA ultimately adopted a version of COMAR 31.08.13 that the Division believes best protects consumers.

### Significant Rate and Rule Filings

In FY 2014, Maryland insurance companies continue to propose changes in the coverage for their "Water Back-up and Sewer or Drain Overflow" endorsements.<sup>22</sup> Homeowners' insurance companies in Maryland are required to offer full coverage for this risk. Since many companies object to offering full coverage, PICD will continue to monitor the Water Back-Up endorsement to ensure that consumer interests are protected.

In May 2014, American Strategic Insurance Corporation filed a proposed rate increase of 51.4% using data from the Insurance Services Office rather than data based on experience. The Division's actuaries reviewed the filing and found the increase to be unsupported. The Division notified the MIA of the filing, and it is still under review with the MIA. In June 2014, Companion Property and Casualty Insurance Company ("Companion") proposed a rate increase using the American Strategic Insurance Corporation's May filing, which the Division found to be unsupported. The Division alerted MIA of Companion's filing. MIA advised Companion that "Me Too" filings were unacceptable in accordance with §11-307(a) (1) of the Maryland Insurance Article. As a result, the filing was withdrawn.

Throughout FY 2014, the Division identified several filings by insurance companies that increased deductibles for insureds who are mono-line policy holders (*e.g.* consumers who only purchased homeowners insurance), but offered lower deductibles to insureds who purchased automobile insurance and homeowners insurance with the same company. The Division believes that this is a form of bundling and may violate Section 27-501 of the Insurance Article. The MIA has not stated expressly whether such a practice complies with the Insurance Article. The Division has had several conversations with the MIA in FY 2014 regarding such practices and will continue to monitor closely the MIA's interpretation of these restrictive bundling practices.

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<sup>22</sup> Md. Code Ann., Ins. Art. § 19-202.



## 2. Medical Professional Liability Insurance

There are significantly fewer medical professional liability insurance filings received each year by MIA as compared to homeowners' insurance filings. The Division reviewed 135 filings made by medical professional liability insurers during the fiscal year. The Division's consultants reviewed the medical professional liability filings in the same manner as the homeowners' filings, with requests for additional documentation being sent to insurers with copies to MIA actuaries.

### C. Division Review of Section 27-1001 Complaints

In 2007, the General Assembly amended the Insurance Article to provide policyholders, who believe that their insurer has failed to act with good faith, with a procedure for review of the matter. The provisions in Section 27-1001<sup>23</sup> and regulations adopted by the Insurance Administration in October 2007<sup>24</sup> require a policyholder to file a complaint with the MIA, with supporting documentation, stating the facts of the matter where the insurer is alleged to have acted without good faith. This procedure is only available to a policyholder. Injured third parties (*e.g.*, a neighbor with damage to their home) may not file under Section 27-1001. After the insurer submits its opposition and supporting documentation, the MIA issues its finding based only on the documents. If the finding is adverse, the policyholder can either appeal the finding by requesting a *de novo* hearing at the Office of Administrative Hearings or file a request for judicial review with the appropriate circuit court. During FY 2014, MIA issued 40 Section 27-1001 decisions involving homeowners' insurance policies. MIA found four violations of Section 27-1001.

As an alternative to filing under Section 27-1001, consumers may file a complaint with MIA alleging that an insurer has failed to act in good faith. The list of unfair claim settlement practices in Section 27-303 was amended in 2007 to add "fail to act in good faith."<sup>25</sup> Like Section 27-1001, an insurer can be found in violation of failing to act in good faith when the consumer who makes the allegation is the policyholder of that insurer (first party claims). An insurer cannot be held in violation of the law for failing to act in good faith if the person who suffered a loss and filed a claim (a third party claim) is not the policyholder of the insurer. Based on the Division's review of the FY 2014 complaint determination letters issued by MIA, a small number of consumers have specifically alleged a failure to act in good faith.

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<sup>23</sup> Md. Code Ann., Ins. Art. § 27-1001.

<sup>24</sup> COMAR 31.08.11.

<sup>25</sup> Md. Code Ann., Ins. Art. § 27-303(9). The full provision states: (9) fail to act in good faith, as defined in 27-1001 of this title, in settling a first-party claim under a policy of property and casualty insurance."

#### **D. 2014 Legislative Session**

On November 12, 2013 the House Economic Matters Committee and the Senate Finance Committee held a joint committee meeting, as required under Chapter 383 of the Acts of 2013, to discuss Anti-Concurrent Causation clauses in insurance policies and how the clauses affect Maryland homeowners. In preparation for the meeting, the Division reviewed all MIA determination letters from January 1, 2011 to determine in how many instances a consumer had complained to the MIA because their insurer denied their claim based on an Anti-Concurrent Causation clause. The Division drafted testimony illustrating the profoundly anti-consumer results of Anti-Concurrent Causation clauses for homeowners, attached redacted copies of determination letters issued by the MIA denying complaints based on these clauses, and attended the joint committee meeting. On December 13, 2013, a report was issued by the joint committees and the Division discussed the report with MIA and discussed possible future legislation.

During the 2014 Legislative Session the Division provided testimony or monitored the following bills:

#### **Senate Bill 342 - Filing of Supplementary Rate Information - Public Inspection**

The Division provided testimony in opposition of SB 342, which would enable an insurer to deem certain portions of its filings confidential, and could possibly have led to increased rates and the adoption of anti-consumer underwriting guidelines. Due to several concerns with this bill, including those of the Division, SB 342 did not pass.

#### **House Bill 380 - Filing of Supplementary Rate Information - Inspection**

The Division monitored HB 380, which was the cross filed version of SB 342. Due to several concerns with this bill, HB 380 did not pass.

#### **Senate Bill 285 - Homeowner's and Renter's Insurance - Coverage for Dog Owners**

The Division monitored SB 285 which prohibited insurers from refusing to issue or renew a policy of homeowner's or renter's insurance solely because the applicant or insured owned a dog, regardless of the breed. A hearing was held and resulted in a unanimous unfavorable vote by the Senate Finance Committee.

#### **Senate Bill 286 - Civil Liability and Insurance Coverage for Dogs and Court Costs for Animal-Related Crimes**

The Division monitored SB 286 which held dog owners liable for injuries, regardless of breed and prior dangerous propensities, and prohibited insurers from refusing insurance solely because

of a specific breed of dog. A hearing was held and resulted in a unanimous unfavorable vote by the Senate Judicial Proceedings Committee.

#### **Senate Bill 100 - Premiums and Charges - Review of Administrative Expenses**

The Division monitored SB 100, which was submitted by the MIA and allowed the MIA to review administrative expenses submitted by an insurer that are associated with payments by credit card, debit card, and other electronic payments. A hearing was held and this bill was passed by the Senate and House and was signed by the Governor.

#### **Senate Bill 887 - Underwriting Standards - Deductibles**

The Division provided testimony in opposition of SB 887, which removed several safeguards in the insurance code regarding percentage deductibles, and would have exposed Maryland homeowners to large financial losses without requiring insurance companies to justify its filings with the Maryland Insurance Administration. Due to several concerns with this bill, including those of the Division, SB 887 did not pass.

#### **Senate Bill 1060 - Required Notices**

The Division provided testimony in support of SB 1060, which amended the insurance code to incorporate all required disclosures into a single document. The Division has followed and communicated with the MIA on its progress, research and development of a single disclosure since 2012. The Division supported SB 1060 because it simplified the notice disclosures and eliminated some confusion for consumers, and because of the significant research and development completed by the MIA to ensure a single notice disclosure would not adversely affect consumers. A hearing was held, but the bill did not pass.

#### **Senate Bill 997 - Notices - Use of First-Class Mail Tracking Methods**

PICD monitored SB 997, which allowed insurers to give required notices by “First-Class Mail Tracking Method” rather than “certificate of mail.” A hearing was held and this bill was passed by the Senate and House and was signed by the Governor.

#### **Senate Bill 832 - Health Care Provider Malpractice Insurance - Scope of Coverage**

PICD monitored SB 832, which altered the scope of coverage permitted under medical malpractice policies and would have allowed coverage for the defense of a health care provider in a disciplinary hearing. PICD contacted the Medical State Medical Society regarding this bill, but received no response. A hearing was held, but the bill did not pass.

The Division reviewed and contributed its opinion on a proposed new regulation: Title 31 Subtitle 08.13, Application of Percentage Deductible in the Case of a Hurricane or Other Storm.

#### IV. INVESTIGATIONS

During FY 2014, the Division investigated 151 new matters. Investigations are commenced when the Division identifies an issue in an insurance complaint matter that potentially affects a broad number of consumers. These investigations are usually prompted by contact from the consumer who filed the complaint, but sometimes arise from consumers who contact the Division before a complaint is filed with the MIA. Details provided by the consumer that are not apparent from the determination letter are obtained and often the Division requests MIA's investigative file. Some investigations are commenced following contact from a consumer who has not filed a complaint with the MIA. A few investigations are commenced from a pattern or practice noted by the Division as a result of review of numerous determination letters from particular insurance companies.

Investigation of the complaint determination letter sent to Gregory and Moira Taylor resulted in the Division's request for a hearing on the complaint concerning a claim denial by State Farm. The company stated the Taylor's policy did not provide coverage for the collapse of their carport during the winter of 2010. The Taylors requested a hearing. The Division determined that the interests of insurance consumers were adversely affected by the actions of State Farm regarding the Taylor's claim; the policy provisions at issue included the terms "structure" and "building" but did not define those terms. The pertinent policy provisions did not dictate a claim denial for the loss of a carport and any personal property under a carport. MIA granted the Division's hearing request and the hearing was conducted on February 7, 2012. At the conclusion of a day-long hearing, the MIA ruled in favor of State Farm. The Division lost its appeal to the Circuit Court and the Court of Special Appeals, and appealed to the Court of Appeals and was granted certiorari. On June 10, 2014 the Division submitted its brief and on October 14, 2014 the Division submitted its reply brief. The Division was also able to obtain four national consumer organizations to participate as *amicus curiae*. On November 7, 2014, the Division participated in oral arguments and argued to the Court of Appeals that common law regarding insurance contract interpretation should be changed to favor consumers, recognizing the fact that insurance policies are contracts of adhesion. A decision in this case is expected in early 2015.

Investigation of the complaint determination letter of David Ruis resulted in the Division's request for a hearing on April 24, 2013. David Ruis filed a complaint with the MIA against Allstate Insurance Company after Allstate denied his claim for fire damage to his garage, which was destroyed by fire in April of 2011. Allstate alleged that the garage was being used for

“business purposes.” The Division believed there was nothing within the policy that prohibited Mr. Ruis from temporarily storing personal property used for his home improvement business in his garage because the term “business purposes” was ambiguous and undefined. MIA granted the Division’s hearing request and a hearing was conducted on August 6, 2013 and October 7, 2013. The MIA ruled in favor of Allstate because it found the garage was used for business purposes. The Division chose not to appeal the decision.

The investigation of the complaint determination letter of James Krenzke resulted in Mr. Krenzke’s claim being paid in full. Mr. Krenzke filed a complaint against Fidelity National Property and Casualty Insurance Company with the MIA after Fidelity denied his claim for water damage to his basement. MIA’s determination letter found that Fidelity did not violate the Maryland Insurance Code. Mr. Krenzke requested a hearing, which was granted, and the Division assisted him in his preparation for the hearing. The hearing was held January 16, 2014 and the MIA reversed its initial decision and found the fidelity did violate the Maryland Insurance Code. Fidelity filed a petition for judicial review in the Circuit Court of Baltimore City. On May 9, 2014, the Division filed a motion to intervene in the matter. On May 16, 2014, Fidelity withdrew its appeal and paid Mr. Krenzke in full.

The Division had several meetings with the Commissioner and other MIA professionals in FY 2014. Primarily, these meetings concerned COMAR 31.08.13 - Application of a Percentage Deductible in the Case of a Hurricane or Other Storm; COMAR 31.08.14 - Coverage for Loss Caused by Water That Backs Up Through Sewers or Drains; Anti-concurrent causation clause notices; Certain underwriting guidelines filed by insurers that seemed to violate the spirit of Section 19-214; and the definition of “new business” within certain insurers under writing guidelines.

## **V. CONSUMER ASSISTANCE EFFORTS**

In addition to assisting the consumers who contact the Division, the Division maintained its website, added consumer alerts providing information about weather events that result in insurance claims and participated in various community events throughout the year, including: “Buying into Baltimore,” “Money Power Day,” and “Live Baltimore.”

## **VI. FY 2014 ACTIVITIES**

The Division closes FY 2014 with several goals for FY 2015:

- The Division continues to upgrade its website. The Division has compiled electronic copies of the largest 15 homeowners insurers in Maryland and is

attempting to add sections to its website which will allow consumers to compare policies and eligibility rules of different insurers.

- Coordinate a meeting with other state insurance consumer protection agencies to identify emerging trends in the homeowner's and medical malpractice insurance industries, and identify new practices to assist Maryland consumers.
- Participate in national meetings hosted by the National Association of Insurance Commissioners.
- Review rate increase filings, negotiate with the MIA on the filings that are not justified and actively represent consumer interests' at rate hearings requested by the Division.
- Continue to monitor closely the MIA's interpretation of restrictive bundling practices.
- Review and advocate for consumer interests for all proposed bills filed in the legislative session and advocate for the legislation proposed by the Division.
- Produce additional educational materials, adding information to the website on specific topics relating to homeowners insurance.
- Participate in additional community programs to educate consumers about insurance topics and address consumer misunderstandings that result in cancellation, non-renewal or claim denials.
- Broaden expertise on Hurricane Catastrophe Planning Models, and other models.
- Focus on consumer notice regulations and legislation.
- Focus on anti-concurrent causation cases, regulations, and legislation.

## **VII. CONCLUSION**

The Division will continue its efforts to advocate on behalf of consumers regarding homeowner's insurance and medical professional liability insurance matters pending before the MIA. The Division will continue its review of all rate filings and will analyze the changes made for their effect on consumers. As in past years, the Division will represent consumer interests before the House and Senate committees, reviewing insurance bills and supporting legislation that will protect consumer interests.

## APPENDIX A

### PEOPLE'S INSURANCE COUNSEL DIVISION REVIEW OF DETERMINATION LETTERS ISSUED BY MARYLAND INSURANCE ADMINISTRATION

<b>DETERMINATION LETTER INFORMATION</b>	
NUMBER OF DETERMINATION LETTERS REVIEWED BY PICD	582 Homeowners 1 Medical Malpractice
NUMBER OF TIMES MIA DETERMINED NO INSURANCE CODE VIOLATION **	447
NUMBER OF INSURANCE CODE VIOLATIONS CITED	20
NUMBER OF CONSUMERS WHO CONTACTED PICD AFTER RECEIVING PICD'S LETTER	63

\*\* In ninety-six (96) cases the insurance company changed its position vis-à-vis the complaint or the complainant withdrew his/her complaint. Ten (10) cases were considered moot because the consumer purchased other insurance. In four (4) cases, the MIA determined the insurer was not under the jurisdiction of the Maryland Insurance Commissioner. In three (3) cases, the letter reviewed did not involve homeowners or medical malpractice insurance issues.

<b>INSURANCE COMPANIES WITH THE MOST COMPLAINTS IN DETERMINATION LETTERS REVIEWED BY PICD</b>	
NAME OF COMPANY	NUMBER OF COMPLAINTS
Allstate Insurance Company/Encompass Insurance Company	84/3
State Farm Insurance Company	81
Standard Insurance Company/Travelers Insurance Company	53/42
Erie Insurance Company	34
Nationwide Insurance Company	33
Liberty Mutual Insurance Company/Liberty Insurance Corporation/Safeco	19/11/14
Homesite Insurance Company of the Midwest	29

Hartford Insurance Company/Twin City Fire Insurance Company	13/1
United Services Automobile Association/Garrison Property and Casualty Insurance Company	16/5
Brethren Mutual Insurance Company	9



## APPENDIX B

### PEOPLE'S INSURANCE COUNSEL DIVISION'S REVIEW OF INSURER FILINGS

HOMEOWNERS INSURANCE FILINGS		
FORMS	RATES/RULES	TOTAL
305	272	577
MEDICAL PROFESSIONAL LIABILITY INSURANCE FILINGS		
FORMS	RATES/RULES	TOTAL
82	53	135

**FORMS** filings contain insurance policy forms, including endorsements and required policyholder notifications that insurance companies wish to introduce or use as replacements for previously approved forms.

**RATE/RULES** filings contain the insurer's proposed rating factors associated with numerous characteristics of risks. These factors are used in calculating the premium to be paid by individual policyholders. These filings generally include actuarial data to support the rating factors, supplementary rate information and underwriting guidelines or rules that explain the eligibility rules for different types of risks.