

## UNDERWRITING

### What is Underwriting?

An insurance company uses a process called “underwriting” to decide (1) if it will offer an insurance policy to someone new and (2) if it will continue to provide insurance for someone who is already its customer. Each insurance company creates its own “underwriting guidelines” to help make these decisions. Underwriting guidelines can be very different from one insurance company to the next. Each company selects the risk factors that it will include in its “underwriting guidelines.” These “underwriting guidelines” are very private, and insurance companies or their agents will not provide these guidelines to anyone besides their employees.

### What are Risk Factors?

“Risk factors” are things about a person’s life, home, or job that insurance companies or agents consider during the underwriting process to help decide if the company will offer insurance to that person. If a person has too many “risk factors,” the insurance company will not offer that person insurance or will cancel or not renew the person’s insurance. Sometimes the risk factors just result in an increase in premium. One of the most common “risk factors” that will get your insurance canceled is making too many claims in a few years, even if the claim payments are for small amounts of money. Maryland law does not allow a cancellation if there are 2 weather-related claims in a 3-year period. Making 2 claims that

## RISK FACTORS

are not weather-related in a 3-year period may result in cancellation by some insurance companies. Inquiries to your insurance company or agent regarding coverage for losses are not considered by your insurance company as claims. Only when payment is made by your insurance company is the claim considered for purposes of determining your “risk factors”.

Some other “risk factors” are:

- having a swimming pool at your house
- having a trampoline at your house
- having an older house or a certain type of roof
- being self-employed or working at home
- not keeping your home’s exterior in good repair



## UNDERWRITING GUIDELINES

### What are Maryland’s laws for Underwriting guidelines?

Maryland insurance companies must follow Maryland law when deciding what risk factors are included in their underwriting guidelines. This law says that insurance companies cannot cancel or refuse insurance to someone based on his or her race, religious beliefs, gender, national origin, physical handicap or disability, or any other reason that is random or discriminatory. Underwriting guidelines must also have some reasonable purpose that is related to the insurance company’s business of making a profit by insuring people and their possessions.

### Examples of Underwriting Guidelines used by companies in Maryland

- One insurance company will not offer insurance to a person who has large amounts of clutter in the home, including in the kitchen area and around the water heater.
- One insurance company will cancel a person’s insurance if that person has more than 1 non-weather related claim in 3 years.
- One insurance company will cancel a person’s insurance for a second home, like a beach or vacation house, if that person does not live in the second home at least once every 30 days.



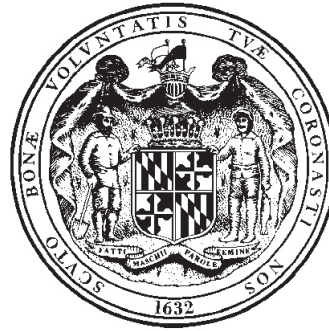
## ASK YOUR AGENT

### What Should You Ask Your Agent About Underwriting Guidelines?

If you are a new customer, ask if two non-weather related claims in the first three years will result in a notice of cancellation or non-renewal.

If you are already a customer of an insurance company ask if your insurance will be cancelled or not renewed if you make two claims in the next three years. If you already have one claim, ask if you will be cancelled or not renewed if you file another claim in the next two years.

Please remember that cancellation or non-renewal of your homeowners insurance may impact the cost and your ability to get insurance with another company.



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## PEOPLE'S INSURANCE COUNSEL DIVISION

### WHAT HOMEOWNERS NEED TO KNOW ABOUT UNDERWRITING GUIDELINES

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