

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 are not weather-related in a 3-year period

RISK FACTORS

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” that have been considered by insurance companies 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

Maryland insurance companies must follow Maryland law when deciding what risk factors are included in their underwriting guidelines. Insurance companies may not discriminate in violation of Maryland law including when deciding to cancel or non-renew a policy. 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 that have been used by companies in Maryland

- One insurance company had an underwriting guideline that allowed the company to 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 has had an underwriting guideline that allowed the company to cancel a person’s insurance if that person has more than 1 non-weather-related claim in 3 years.
- One insurance company has had an underwriting guideline allowing the company to 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

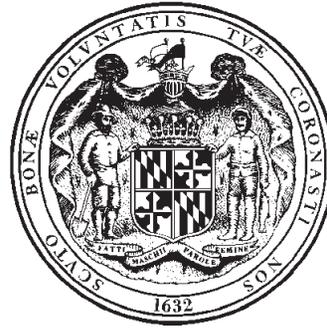
What Should You Ask Your Agent About Underwriting Guidelines?

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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WHAT HOMEOWNERS NEED TO KNOW ABOUT UNDERWRITING GUIDELINES

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