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FISCAL IMPACT REPORT

SPONSOR: Maes DATE TYPED: 2/24/03 HB _____

SHORT TITLE: Homeowner's Insurance Raises & Cancellations SB 811

ANALYST: Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			NFI		

SOURCES OF INFORMATION

Responses Received From
Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

Senate Bill 811 prohibits an insurance company from canceling, refusing to renew or raising the premium on a home-owner's policy solely because the policyholder has submitted a property claim.

Significant Issues

Over the last few years many insurance companies have lost money from this product line due to the rapidly escalating incidence of mold claims and other water-related homeowners claims. Many insurance companies have been responding by canceling or not renewing home owners submitting such claims. Cancelled or not renewed, homeowners often have difficulty obtaining homeowner's insurance elsewhere at an affordable price because their claims have been submitted to CLUE, a nationwide data bank of homeowner's claims that most insurance companies participate in and review when assessing applications for insurance. Through the use of such CLUE reports, homes that have submitted water-related claims are in essence becoming "black-listed" throughout much of the insurance industry.

The PRC notes rather than raising premiums, most insurance companies simply do not renew, or cancel policies, with a history of water-related claims.

TECHNICAL ISSUES

The PRC suggests clarifying the language of SB 811 by merging sections A & B and inserting “an insurer shall not cancel, fail to renew, or increase the renewal premium of a homeowner’s insurance policy” instead of “the rates of an insurer of homeowner’s casualty shall not provide for an increase in the premium”.

DW/njw