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November 6, 2012

Insurance Commissioner Therese M. Goldsmith  
Maryland Insurance Administration  
200 St. Paul Place, Suite 2700  
Baltimore, Maryland 21202

Dear Commissioner Goldsmith,

We are writing you this letter in response to the aftermath of Hurricane Sandy and our concerns about *Bulletin 12-24* released by your office on October 29, 2012.

NAMIC is the largest and most diverse national property/casualty insurance trade and political advocacy association in the United States. Its 1,400 member companies write all lines of property/casualty insurance business and include small, single-state, regional, and national carriers accounting for 50 percent of the automobile/ homeowners market and 31 percent of the business insurance market. NAMIC has been advocating for a strong and vibrant insurance industry since its inception in 1895. NAMIC members represent 52 percent of the homeowners market in Maryland.

As we stated in our letter to you on September 7<sup>th</sup> addressing draft regulation *31.08.13* on this matter, it is our understanding from the relative code section §19-209 that the intent of the law is to create the framework by which to utilize hurricane deductibles in Maryland, and that the phrase “other storms” was meant to apply to similar catastrophic events. It is our understanding that your office is taking the position that the statute applies to standard policy percentage deductibles including those that apply to the perils of wind and hail. NAMIC believes this interpretation of the statute is in error and we urge you to reconsider. It is clear that by utilizing the phrase “hurricanes and other storms, §19-209 is meant to apply to deductibles addressing *events* as opposed to deductibles addressing specified *perils*. A deductible utilizing the term “windstorm” is referring to the peril of wind rather than a storm event, and it is therefore not covered by the statute.

While we understand the reliance on the National Weather Service’s declaration of hurricane warnings as a trigger for hurricane deductibles, NAMIC does not believe that such a trigger is relevant to standard policy wind deductibles under the Maryland statute. It is our understanding that others states, while noting the trigger for a hurricane deductible was not met by a NWS declaration, are *not* disallowing the application of standard wind deductibles. NAMIC emphasizes that your office’s asserted interpretation sets Maryland apart from other states in terms of treatment of standard policy language and the application of peril percentage

deductibles. Such an interpretation does not assist consumers in providing a competitive market in Maryland, and may well be a detriment to Maryland's ability to attract business to the state.

It is important as you consider this issue to be mindful of the use and role of deductibles in insurer exposure management and in turn maintaining a vibrant and strong market in Maryland. We do not believe that the statute §19-209 applies to wind or other deductibles as they are separate from the issue of hurricane deductibles and ask that you consider revising your October 29<sup>th</sup> bulletin to draw the distinction between hurricane and other peril percentage deductibles, and specifically insurers' ability to utilize approved policy language as it relates to the recent storm.

Thank you for your time and consideration of our comments. Should you have any questions or concerns please don't hesitate to contact me.

Sincerely,



Erin Collins  
State Affairs Manager

Cc:

Governor Martin O'Malley  
Matthew Gallagher, Chief of Staff