

# CLAIMS BULLETIN



January, 2009

## **HOMEOWNER INSURERS MUST OFFER COVERAGE FOR SEWER BACKUP LOSSES**

During the 2008 legislative session, Maryland's General Assembly enacted HB 72 regarding homeowner's coverage for water and sewer backup losses. For some time, §19-202 of the Insurance Article has required private insurers that sell homeowners' insurance policies in Maryland to offer water and sewer backup coverage.

Unfortunately, most insurers were offering the coverage only if the homeowner requested it. Effective October 1, 2008, all homeowner insurers that sell policies in Maryland must offer this coverage to policyholders in writing by certified mail within 7 days after the date the policy is initially placed or at the time of each renewal.

Sewer systems are not closed systems and are subject to vandalism, mishandling by users, and unavoidable occurrences which may cause a backup despite the most rigorous maintenance program. Local governments are not automatically liable for these losses.

Take this opportunity to notify utility users that unavoidable backups can occur and that private insurance carriers must offer water and sewer backup coverage. Most standard homeowner policies provide replacement coverage for any loss, which is always more beneficial to the homeowner than a liability claim, which would limit the recovery to what the item was worth. If the county or municipality is at fault, the homeowner insurer may subrogate to LGIT. This coverage also helps the homeowner quickly control and mitigate the loss and return to normal activities.

We recommend that you use utility bill inserts, newspapers, cable television announcements and your local government website\* to educate citizens on sewer system operations, problems that can arise and how backups should be reported. Let your utility users know that they can protect themselves from unavoidable backups that may occur (even if the problem is in their own line) by purchasing the coverage which must be offered by their homeowner insurer.

\* We recommend that you take a look at the websites for Calvert County and City of Hagerstown.

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