

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 534
Finance

(Senator Astle)

Insurance - Termination of Agency Agreement - Cancellation of Policies

This bill authorizes an insurer, notwithstanding a provision of its agency agreement with an insurance producer to the contrary, to cancel or refuse to renew an insurance policy that has not been replaced with another insurer three years after termination of the agreement. The bill does not apply to: (1) policies of life insurance, health insurance, surety insurance, wet marine and transportation insurance, and title insurance; or (2) insurance producers or policies of a company or group of companies represented by insurance producers who by contractual agreement represent only that company or group if the business is owned by the company or group and canceling any contractual agreement does not result in the cancellation or refusal to renew any policies.

Fiscal Summary

State Effect: The bill's changes will not materially affect the finances or operations of the Maryland Insurance Administration.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Generally, if an insurer intends to cancel a written agreement with an insurance producer or intends to refuse a class of renewal business from an insurance producer, the insurer must give the producer at least 90 days' written notice. Notwithstanding any provision of its agency agreement with an insurance producer to the

contrary, an insurer must continue to renew through the insurance producer, for at least two years after the termination of the agreement, any of the policies that have not been replaced with other insurers as expirations occur. These provisions do not apply to: (1) policies of life insurance, health insurance, surety insurance, wet marine and transportation insurance, and title insurance; or (2) insurance producers or policies of a company or group of companies represented by insurance producers who by contractual agreement represent only that company or group if the business is owned by the company or group and canceling any contractual agreement does not result in the cancellation or refusal to renew any policies.

Additional Information

Prior Introductions: None.

Cross File: HB 781 (Delegates Taylor and Feldman) – Economic Matters.

Information Source(s): Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - February 16, 2004
ncs/jr

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