

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1248
Economic Matters

(Delegate Jennings)

Finance

**Private Passenger Motor Vehicle Insurance and Homeowner's Insurance -
Underwriting Standards and Requirements - Active Duty Military Personnel
Returning from Overseas**

This bill prohibits an insurer, for private passenger motor vehicle insurance or homeowner's insurance, from denying, refusing to renew, or canceling coverage or increasing rates for applicants or policyholders who are military personnel returning from active duty overseas solely because they fail to meet underwriting standards that require continuous coverage, unless the failure to maintain continuous coverage existed prior to the applicant's or policyholder's assignment overseas. A homeowner's insurer may not take these actions because the military personnel fail to meet occupancy requirements if the personnel can demonstrate that reasonable steps were taken to maintain and protect the property.

Fiscal Summary

State Effect: Special fund revenues would increase minimally in FY 2006 from rule and form filings with the Maryland Insurance Administration (MIA). Expenditures would not be affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Generally, an insurer or insurance producer may not cancel or refuse to underwrite or renew a particular insurance risk or class of risk except by using standards

that are reasonably related to the insurer's economic business purposes. For private passenger motor vehicle insurance, these standards include material misrepresentation in connection with the application, policy, or presentation of a claim; nonpayment of premium; and various traffic offenses. These standards may also include: (1) any other standard approved by the Maryland Insurance Commissioner that is based on factors that adversely affect the losses or expenses of the insurer under its factors that adversely affect the losses or expenses of the insurer under its approved rating plan and for which statistical validation is unavailable or is unduly burdensome to produce; and (2) any other standard established by regulation that is found to be reasonably related to the insurer's economic and business purposes.

Background: The Maryland Automobile Insurance Fund, the State's automobile insurer of last resort, advises that it does not require continuous coverage.

State Revenues: MIA advises that independent insurers and one rating bureau would make one rule and one form filing for each private passenger motor vehicle insurance program that it writes. An insurer may have multiple programs. MIA further advises that many homeowner's insurers exclude coverage for vacant buildings. Each insurer that does so would be required to file a revised form with modified exclusions for each homeowner's insurance program it writes.

Each rule and each form filed would be subject to the \$125 filing fee. The total number of filings cannot be accurately estimated, but is assumed to be minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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