

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 768

(Senator Astle)

Finance

Economic Matters

Commercial Insurance and Workers' Compensation Insurance - Renewals of
Policies - Transfers of Policyholders Between Insurers

This bill classifies the transfer of a policyholder by a commercial insurer or workers' compensation insurer to an affiliate within the same insurance holding company as a renewal rather than a cancellation or intention to not renew the policy. The bill requires the commercial insurer or workers' compensation insurer providing the new policy to notify the policyholder of the transfer.

The bill requires insurers writing commercial and workers' compensation insurance to provide notice of renewal policy premium to the named insured and insurance producer, if any, at least 45 days prior to the renewal date, regardless of the amount of the policy premium increase.

The provisions related to transfer of policyholders apply to all policies of commercial insurance and workers' compensation insurance issued, delivered, or renewed in the State after October 1, 2009. The provisions regarding notice of increased premiums take effect January 1, 2010.

Fiscal Summary

State Effect: The Maryland Insurance Administration can handle the bill's requirements with existing budgeted resources.

Local Effect: The bill does not directly affect local finances or operations.

Small Business Effect: None.

Analysis

Bill Summary: The bill states that, with respect to commercial insurance and workers' compensation insurance policies, the transfer of a policyholder between admitted insurers within the same insurance holding company system is a renewal if the policyholder's premium does not increase and the policyholder does not experience a reduction in coverage.

With respect to policies of commercial insurance and workers' compensation insurance, the issuance by an insurer of a new policy to replace an expiring policy issued by that insurer is a renewal – as is the issuance of a new policy to replace an expiring policy issued by another admitted insurer within the same insurance holding company system, subject to the same two conditions aforementioned. If a policyholder is being transferred between affiliate insurers in the same insurance holding company system, the statutorily required notice has to include disclosure of the transfer.

For transfers of policyholders, an insurer that provides the new policy is considered to meet the bill's notice requirements if the insurer sends the named insured a renewal policy that includes a notice of transfer. Alternatively, the insurer may include a notice on the declaration page of the renewal policy that states that the policy has been transferred from the prior named insurer to the new or renewing named insurer. However for renewals, an insurer can meet the bill's notice requirements by including the new premium in a renewal policy, continuation notice, or renewal offer that is sent to the named insured and the insurance producer, if any. The bill exempts a commercial policyholder that pays aggregate property and casualty premiums of at least \$25,000 per year and meets certain revenue, net worth, employment, or other relevant criteria

Current Law: Title 27 of the Insurance Article regulates insurance trade practices in accordance with the intent of the U.S. Congress as expressed in the McCarran-Ferguson Act by defining and prohibiting all insurance trade practices in the State that are unfair methods of competition or unfair or deceptive acts. These State laws prohibit an insurer from cancelling or refusing to underwrite or renew a particular insurance risk or class of risk for a reason based wholly or partly on race, color, creed, sex, or blindness of an applicant or policyholder or for any arbitrary, capricious, or unfairly discriminatory reason. An insurer also may not cancel or refuse to underwrite or renew a particular insurance risk or class of risk except by the application of standards that are reasonably related to the insurer's economic and business purposes.

An insurer is required to send written notice via certified mail to an insured when it is the insurer's intention to cancel or not to renew a policy or before cancelling a policy for a reason other than nonpayment of premium. This notice is required to be sent at least 45 days before the date of the proposed cancellation or expiration of the policy and must

contain notice of the possible right of the insured to replace the insurance under the Maryland Property Insurance Availability Act or through another plan for which the insured may be eligible. An insurer is required to maintain proof of mailing in a form authorized or accepted by the U.S. Postal Service. However, no notice is required if the insured has replaced the insurance.

Insurers issuing personal insurance policies and property insurance policies under the Maryland Property Insurance Availability Act have to provide the insured and the insurance producer with notice of renewal policy premium at least 45 days prior to the renewal date. Notice must include the amount of the renewal policy premium and the amount of the expiring policy premium.

However, insurers writing commercial and workers' compensation insurance only have to notify the named insured and insurance producer if a renewal policy premium increases by 20% or more. Notice must be given at least 45 days before the policy's renewal date and include the (1) expiring policy premium; (2) renewal policy premium; (3) telephone number for the insurer or insurance producer; and (4) a statement that the insured may call to request additional information.

Background: Chapter 117 of 2008 allows private passenger automobile insurers and homeowner insurers to transfer policyholders among affiliates within the same insurance group holding company system, with the transfer being classified as a renewal.

An insurer is not required to give notice by a certain time to a commercial insured whose premium will increase up to 20% upon renewal. For large and small commercial insureds alike, any increase in insurance premiums may significantly impact the finances of the insured. Requiring insurers to provide advance notice of a renewal premium increase of any amount allows commercial insureds to plan ahead, adjust for the increase, or shop for a more competitive policy.

Additional Information

Prior Introductions: None.

Cross File: HB 648 (Delegate Harrison) - Economic Matters.

Information Source(s): Maryland Insurance Administration, Injured Workers' Insurance Fund, Subsequent Injury Fund, Uninsured Employers' Fund, Department of Legislative Services

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