

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 656

(Senator Kelley)

Finance

Economic Matters

Property and Casualty Insurance - Certificates of Insurance and Certificate of Insurance Forms

This bill prohibits a person from preparing or issuing or requiring an insurer, insurance producer, or policyholder to prepare, issue, or provide a certificate of insurance that the person knows is false or misleading in any way or that purports to change the coverage of the policy referenced in the certificate. Additionally, a person may not prepare, issue, or require, either in addition to or in lieu of a certificate of insurance, an opinion letter or other document that is inconsistent with the bill. The bill also requires the Maryland Insurance Administration (MIA) to study the impact of requiring a certificate of insurance to be in a form that must be filed with and approved by the Commissioner and report any findings by December 1, 2011. That study must include a review of states with similar requirements.

Fiscal Summary

State Effect: Given the bill's October 1, 2011 effective date, MIA has a short period to conduct the study and report its findings. However, MIA advises that it can conduct the study within six months with existing resources. Thus, resources will likely be diverted from other priorities to meet the two-month timeframe in the bill. Revenues are not affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill defines “certificate of insurance” as any document or instrument, however titled or described, that is prepared or issued by an insurer or insurance producer as evidence of property insurance or casualty insurance coverage. A certificate of insurance does not include a policy of insurance or an insurance binder. The bill does not apply to a statement, summary, or evidence of property insurance, which includes a certificate, required by a lender that holds a loan secured by a mortgage, a lien, a deed of trust, or any other security interest in real or personal property as security for the loan.

A certificate of insurance is not a policy of insurance and does not change the coverage provided by the policy referenced in the certificate or confer on the certificate holder any new or additional coverage not granted by the policy.

A certificate of insurance or any other document prepared, issued, or required in violation of a provision of the bill is void and unenforceable.

The Commissioner may examine and investigate the activities of any person the Commissioner reasonably believes has been or is engaged in an act or practice prohibited by the bill.

Current Law: According to an MIA bulletin, a certificate of insurance may not be used to alter the terms and conditions of the policy it represents. No person, including a licensed insurer or licensed insurance producer, may issue a certificate of insurance that misrepresents the underlying policy.

Background: According to the *Independent Agent*, approximately 4% of error and omission claims against insurers and insurance producers relate to certificates of insurance.

Additional Information

Prior Introductions: None.

Cross File: HB 982 (Delegate Rudolph) - Economic Matters.

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

Fiscal Note History:
mc/ljm

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