

Department of Legislative Services  
Maryland General Assembly  
2013 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 446  
Finance

(Senator Pugh, *et al.*)

Economic Matters

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Homeowner's or Renter's Insurance and Private Passenger Motor Vehicle  
Insurance - Bundling Requirement - Prohibited

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This bill prohibits an insurer from denying, refusing to renew, or canceling homeowner's insurance or renter's insurance coverage for an applicant or a policyholder solely because the applicant or policyholder does not carry private passenger motor vehicle insurance with the insurer or another insurer in the same insurance holding company system. Similarly, the bill prohibits an insurer from denying, refusing to renew, or canceling private passenger motor vehicle insurance coverage because the applicant or policyholder does not have homeowner's insurance or renter's insurance coverage with the insurer or another insurer in the same insurance holding company system.

The bill applies to all policies of homeowner's insurance, renter's insurance, and private passenger motor vehicle insurance issued, delivered, or renewed in the State on or after October 1, 2013.

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Fiscal Summary

**State Effect:** The bill does not directly affect governmental operations or finances.

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

**Small Business Effect:** Minimal.

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Analysis

**Bill Summary:** The bill does not prohibit an applicant or a policyholder from bundling homeowner's insurance or renter's insurance and private passenger motor vehicle

insurance policies if the applicant or policyholder desires to do so. Additionally, an insurer may offer discounts or other incentives to applicants or policyholders who choose to bundle homeowner's insurance or renter's insurance and private passenger motor vehicle insurance policies.

**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 the application of standards that are reasonably related to the insurer's economic and business purposes.

In the case of private passenger motor vehicle insurance, standards reasonably related to an insurer's economic and business purposes include, but are not limited to:

- a material misrepresentation in connection with the application, policy, or presentation of a claim;
- nonpayment of premium;
- revocation or suspension of the insured driver's license or motor vehicle registration for reasons relating to the driver's driving record within the preceding two-year period;
- two or more motor vehicle accidents or any combination of three or more accidents and moving violations within the preceding three-year period for which the insured was at fault for the accidents;
- three or more moving violations against the insured or a covered driver under the policy within the preceding two-year period; or
- conviction of the named insured or a covered driver under the policy of (1) driving while under the influence of alcohol or under the influence of alcohol *per se*, impaired by alcohol, impaired by drugs or drugs and alcohol, or impaired by a controlled dangerous substance; (2) homicide, assault, reckless endangerment, or criminal negligence arising out of the operation of a vehicle; or (3) using a motor vehicle to participate in a felony.

In the case of homeowner's insurance, standards reasonably related to an insurer's economic and business purposes include, but are not limited to:

- a material misrepresentation in connection with the application, policy, or presentation of a claim;
- nonpayment of premium;
- a change in the physical condition or contents of the premises or dwelling that results in an increase in a hazard insured against and that, if present and known to the insurer prior to the issuance of the policy, would not have resulted in the issuance of the policy;

- a conviction of arson within the past five years or another crime that directly increases the hazard insured against within the past three years; or
- the claims history of the insured where the insured makes more than three claims within the past three years.

Standards reasonably related to economic and business purposes do not require statistical validation.

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### **Additional Information**

**Prior Introductions:** HB 1105 of 2012, as amended, passed the House Economic Matters Committee but received an unfavorable report from the Senate Finance Committee.

**Cross File:** HB 342 (Delegate Hucker, *et al.*) - Economic Matters.

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

**Fiscal Note History:** First Reader - February 4, 2013  
mm/ljm Revised - Senate Third Reader - March 15, 2013

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