

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

Senate Bill 608

(Chair, Finance Committee)(By Request - Departmental -
Maryland Insurance Administration)

Finance

Property and Casualty Insurance - Notices, Policies, and Proof of Insurance -
Electronic Format

This departmental bill authorizes property and casualty insurers to deliver any required notice or proof of insurance in an electronic format if the insurer has the consent of the party receiving the notice or proof of insurance. Additionally, if requested to do so by an insured, property and casualty insurers must make available to the insured an electronic copy of the insured's policy and endorsements through the use of a secure website, in a specified manner, and within a specified timeframe.

The bill also requires *all* automobile insurers to provide proof of insurance for an automobile insurance policy *at any time* if requested to do by the insured or a person holding an insurable interest in the policy. Such proof of insurance may be delivered by electronic means.

Fiscal Summary

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

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration (MIA) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law: If an automobile insurance policy is procured by an independent insurance producer and the insured or another person holding an insurable interest in the policy requests proof of insurance upon renewal of an existing policy, the authorized insurer of the policy must provide (1) a copy of the automobile insurance policy declarations or (2) written proof of the automobile insurance that consists of the name and address of the insured and insurer and other specified information.

Chapters 259 and 260 of 2011 authorized insurers in the State to deliver a required notice to a party by electronic means if the party has consented to that method of delivery and has not withdrawn the consent. The party must also be provided, prior to giving consent, with a clear and conspicuous statement informing the party of specified rights and other information pertaining to the scope of the party's consent. The process used to obtain consent must meet the requirements of the Maryland Uniform Electronic Transactions Act. A withdrawal of consent is effective within a reasonable period of time after the insurer receives the withdrawal and does not affect the legal effectiveness, validity, or enforceability of an electronic notice provided to the party before the withdrawal of consent is effective.

Delivery of a notice through electronic means must be considered equivalent to any delivery method required elsewhere in Subtitle 6 (*Cancellations, Nonrenewals, Premium Increases, and Reductions in Coverage*) of Title 27 (*Unfair Trade Practices and Other Prohibited Practices*) of the Insurance Article.

Background: MIA advises that the bill is needed to modernize the laws governing property and casualty insurance by allowing insurers to provide notices, policies, and proof of insurance in an electronic format. Insurers who provide such information through an electronic format save money on printing and mailing costs, while consumers may prefer to receive such information electronically for ease of access of their insurance policies. MIA further advises that requiring insurers to provide proof of automobile insurance makes it easier for other insurers and interested parties to obtain proof of insurance.

The Maryland Uniform Electronic Transactions Act states that a record or signature may not be denied legal effect or enforceability solely because it is in electronic form. The Act only applies to transactions between parties which have each agreed to conduct transactions by electronic means. Whether the parties have consented to conduct transactions electronically is determined from the context and surrounding circumstances, including the parties' conduct. Except for a separate and optional agreement, the primary purpose of which is to authorize a transaction to be conducted by electronic means, a provision to conduct a transaction electronically may not be contained in a standard form unless that provision is conspicuously displayed and separately consented to.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 8, 2015
md/ljm

Analysis by: Richard L. Duncan

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Property and Casualty Insurance – Notices, Policies, and Proof of Insurance – Electronic Format

BILL NUMBER: SB 608

PREPARED BY: Maryland Insurance Administration

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

 WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS