

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 395
Economic Matters

(Delegate Lafferty, *et al.*)

Finance

Joint Insurance Association - Insurers - Notice

This bill requires an essential property or homeowner’s insurer – that denies all the coverage requested by an applicant or cancels or does not renew an existing policy – to send a notice to the insured or applicant, informing him or her about the possibility of obtaining insurance through (1) the Joint Insurance Association (JIA) or (2) another plan for which the applicant or insured may be eligible. Certain other notices that must be sent when an insurer cancels or does not renew a policy under specified circumstances may be used to satisfy the bill’s notice requirements. If an applicant applies to multiple insurers through an insurance producer, the producer may provide a notice on behalf of all the insurers.

The bill applies to all policies and contracts of essential property and homeowner’s insurance issued, delivered, or renewed in the State on or after the bill’s October 1, 2016 effective date.

Fiscal Summary

State Effect: The bill’s requirements can be handled with existing budgeted resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The notice required by the bill (1) must be in writing; (2) must contain JIA's contact information; (3) must be sent to the insured's or applicant's last known address; and (4) may be sent to an applicant or insured physically or electronically.

Current Law/Background: A person with an insurable interest in real or tangible personal property at a fixed location may apply to JIA for essential property insurance or homeowner's insurance if the person has been (1) unable to obtain essential property or homeowner's insurance; (2) able to obtain only partial coverage for the value of the property; or (3) able to obtain essential property or homeowner's insurance only after applying, with a request to pay a larger rate than what is standard.

When an insurer of personal, commercial, or homeowner's insurance sends notice of its intention to cancel or not renew a policy issued in the State for a reason other than nonpayment of a premium, the insurer must provide a specified notice to the insured, informing the insured of the possible right to replace the insurance under the Maryland Property Insurance Availability Act, Maryland Automobile Insurance Fund (for commercial insurance only), or through another plan. Any such notice is not required for policies in effect for 45 days or less.

The Maryland Property Insurance Availability Act provides alternative market mechanisms for certain kinds of insurance. It established JIA, which allows individuals and businesses who are unable to obtain essential property insurance on dwellings, business property, or homes through the competitive property/casualty insurance marketplace to obtain insurance coverage for their properties located within the State. Every applicant is encouraged to seek coverage in the normal marketplace and then to apply for coverage with JIA through licensed property/casualty insurance producers; however, any applicant may apply directly to JIA for coverage. JIA does not have a rating by any financial rating organization, and all insurers licensed to write property insurance in the State must become members of JIA.

Additional Information

Prior Introductions: HB 647 of 2015, a similar bill, received an unfavorable report from the House Economic Matters Committee.

Cross File: None.

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

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min/ljm

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