HB 1398

Department of Legislative Services

Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1398 (Delegate Jameson)
Economic Matters Finance

Homeowner's Insurance - Discrimination Based on Driving History of Applicant or Insured

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This bill prohibits a homeowner's insurer from taking specified actions against an insured or applicant based, in whole or in part, on his or her driving history. Specifically, a homeowner's insurer may not use an insured's or applicant's driving history to (1) refuse to underwrite, cancel, or refuse to renew a risk; (2) rate a risk, including specified rate-making activities; or (3) require a particular payment plan.

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

Fiscal Summary

State Effect: Minimal increase in Maryland Insurance Administration (MIA) special fund revenues in FY 2017 due to $125 rate and form filings for homeowner's insurers that currently use an insured's or applicant's driving history in the manner prohibited by the bill. Review of the filings can be handled with existing resources. General fund revenues decrease minimally due to the 2% premium tax, to the extent that the bill results in lower premiums for insureds.

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

Small Business Effect: None.

Analysis

Bill Summary: Related to rating a risk, a homeowner's insurer may not use an applicant's or insured's driving history to (1) provide or remove a discount; (2) assign the insured or applicant to a rating tier; or (3) place the insured or applicant with an affiliated company.

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.

Standards reasonably related to economic and business purposes do not require statistical validation. In the case of homeowner's insurance, these 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.

Each insurer in the State must file with the Commissioner all rates, supplementary rate information, policy forms, and endorsements as well as all modifications of rates, supplementary rate information, policy forms, and endorsements that the insurer proposes to use. An insurer may include in a filing any additional relevant supporting information. The Commissioner may also require a filer to provide this supporting information. A filing and any supporting information is open to public inspection as soon as it is filed. Generally, a filing may not take effect until 30 working days after it is filed; however, a rate filing may take effect as soon as it has been filed with MIA. Any filing is considered approved unless disapproved by the Commissioner in the 30-day waiting period. MIA charges a fee of $125 per filing.

State Revenues: Although it is unclear at this time how many homeowner's insurers in the State penalize insureds based on driving history in the manner prohibited by the bill, current information suggests that the practice does occur. Therefore, those insurers must make rate and form filings with MIA to change those policies and pay the $125 filing fee in fiscal 2017 only. Additionally, to the extent that the bill's prohibition results in lower premiums for the affected insureds, general fund revenues decrease due to the 2% tax collected on premiums paid in the State; however, any such impact is expected to be minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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kb/ljm

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