

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE  
Revised

House Bill 1356 (Delegate Love. *et al.*)

Economic Matters

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**Homeowner's Insurance and Private Passenger Motor Vehicle Insurance -  
Standards for Cancellation and Nonrenewal**

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This bill prohibits insurers from canceling or refusing to renew homeowner's insurance based on the claims history of an insured unless the insured has three or more weather-related claims within the preceding three-year period. An insurer may consider weather-related claims for the purpose of canceling or refusing to renew if the insurer provided notice to the insured that repairs were needed, the insured failed to make the repairs, and the loss would have been prevented by the repairs. The bill also prohibits insurers from canceling or refusing to renew private passenger motor vehicle insurance due to two or fewer claims within a three-year period for losses where the insured is determined not to be at fault for the loss.

Under current law, an insurer may not cancel or refuse to underwrite or renew a risk or class of risk except by applying standards that are reasonably related to the insurer's economic and business purposes. The bill specifies standards reasonably related to an insurer's economic and business purposes that do not require statistical validation in the case of homeowner's insurance and in the case of private passenger motor vehicle insurance.

The bill also specifies that in the case of commercial insurance or insurance issued or provided by nonadmitted insurers, an insurer is not required to produce statistical validation of its underwriting standards. If an insurer considers claims history for purposes of canceling or refusing to renew, the insurer: (1) may consider specified factors without producing statistical validation; and (2) must disclose the practice to an insured at the inception of the policy and at each renewal.

This bill applies on or after October 1, 1998 regardless of the date of the claim and sunsets September 30, 2001.

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**Fiscal Summary**

**State Effect:** Minimal increase in general fund revenues in FY 1999 due to one-time fees collected by the Maryland Insurance Administration (MIA). Indeterminate effect on premium tax revenues.

**Local Effect:** None.

**Small Business Effect:** None.

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### Fiscal Analysis

**State Revenues:** General fund revenues could increase by an indeterminate amount since homeowners and private passenger auto companies would be subject to \$100 rate and form filing fees by MIA. The number of insurers who will file new rates and forms solely as a result of this bill cannot be reliably estimated at this time, since rate and form filings often combine several rate and policy amendments at one time. MIA estimates that about 100 independent homeowner's insurers could file rates and about 100 independent private passenger auto insurers could file rates.

While some insurers are expected to file rate increases, MIA advises that the overall statewide impact on premiums and premium taxes would be negligible. Legislative Services advises that the effect on premiums and premium taxes depends on whether insurers file surcharges or increase rates, which cannot be reliably determined at this time.

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

**Fiscal Note History:** First Reader - March 4, 1998  
Inc Revised - House Third Reader - April 7, 1998  
Revised - Enrolled Bill - May 5, 1998

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