

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

Senate Bill 690 (Senator Hooper)

Finance

Insurance - Misrepresentations in Applications - Rescission

This bill allows an insurer to rescind a policy, except for a life or health insurance policy, or an annuity contract, if the application contains any misrepresentation, omission, concealment of fact, or incorrect statement that is material to its acceptance by the insurer. The misrepresentation, omission, concealment of fact, or incorrect statement is considered material if it is fraudulent, the insurer would not have issued the policy, or the insurer would have charged a higher premium. A policy rescinded under this provision is null and void from its inception for purposes of claims for coverage against the policy.

Fiscal Summary

State Effect: Indeterminate increase in special fund revenues in FY 2000 due to one-time fees collected by the Maryland Insurance Administration (MIA). Any workload increase could be handled with existing resources.

Local Effect: None, assuming that a local government would not engage in an activity that would enable an insurer to rescind a policy.

Small Business Effect: None, assuming that a small business would not engage in an activity that would enable an insurer to rescind a policy.

Fiscal Analysis

State Revenues: Special fund revenues could increase by an indeterminate amount since insurers would be subject to \$125 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.

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

Fiscal Note History: First Reader - March 11, 1999

Inc/jr

Analysis by: Karen S. Benton

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 946-5510

(301) 970-5510