

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE

Senate Bill 691 (Senator Hooper)

Finance

Motor Vehicle Liability Insurance - Protest by Insured of Proposed Action of Insurer

This bill makes certain changes regarding a protest of an insurer's proposed action to cancel a policy, increase a premium, or reduce coverage.

Fiscal Summary

State Effect: Special fund revenues could increase by \$12,500 in FY 2000 due to one-time fees collected by the Maryland Insurance Administration. No effect on expenditures as any increase in workload could be handled with existing resources.

Local Effect: None.

Small Business Effect: Potential minimal.

Fiscal Analysis

Bill Summary: The bill provides that an insurer's proposed action is stayed until the Insurance Commissioner makes an initial determination of whether the action is justified. If determined to be justified, the stay expires 20 days after the mailing of the initial determination. If the Commissioner determines that the insurer's action is not justified, coverage shall continue in effect, pending the Commissioner's determination after a hearing, if a hearing is requested. Within 20 days of the initial determination, the aggrieved party may request a hearing. Under current law, the insurer's proposed action is stayed until after the Commissioner makes a *final* determination, which could be after a hearing.

The bill also provides that, if the action is found unjustified: (1) the insurer is required to reinstate coverage equal to the coverage the insured had prior to the proposed action; (2) pay to the insured any difference in premium between the policy the person was required to pay

and the original premium; and (3) pay any uncompensated liability incurred if the insured was unable to obtain liability coverage limits equal to the original coverage. The insured must provide evidence of an unsatisfied liability and written confirmation from the Maryland Automobile Insurance Fund that coverage was sought with the original limits but was denied. However, the insurer is not liable if the insured did not obtain the minimum liability coverage required by State law. In addition, the insurer is not liable for claims after the effective date of an action if the action is deemed justified by the Commissioner.

State Revenues: Special fund revenues could increase by \$12,500 in fiscal 2000 from one-time fees collected by the Maryland Insurance Administration for rate and form filings. It is expected that 100 personal auto insurers would be required to revise their “Right of Protest” language and pay the administration’s \$125 rate and form filing fee.

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

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