

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

Senate Bill 173 (Chairman, Finance Committee)
(Departmental - Insurance Administration, Maryland)

Finance

Insurance - Cancellation of Policies - Required Notice

This departmental bill requires insurers to provide written notice of cancellation, by certificate of mailing, at least ten days before the insurer proposes to cancel a policy when the cancellation is a result of the insured's failure to pay the required premium. The bill also requires a notice of cancellation or nonrenewal for reasons other than nonpayment of premium to be by certificate of mailing. The bill does not apply to life insurance, health insurance, or surety insurance.

The bill is effective July 1, 2000.

Fiscal Summary

State Effect: Minimal increase in special fund revenues from form filing fees collected by the Maryland Insurance Administration (MIA). Any workload increase could be handled with existing resources.

Local Effect: None.

Small Business Effect: MIA has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill).

Analysis

Current Law: Maryland law requires an insurer to provide written notice of cancellation or nonrenewal at least 45 days before the date of the proposed cancellation or nonrenewal for reasons other than nonpayment of the premium. No notice is required for cancellation for

failure to pay the premium. For motor vehicle liability insurance, a 45-day notice is also required to increase the premium for any coverage or to reduce coverage under the policy.

Background: The notice required by this bill provides the insured time to obtain other coverage or to pay the premium if the policy allows.

State Revenues: Any insurers that do not currently provide the notice required by the bill would be required to amend their policy forms, file an amended form with MIA, and pay the \$125 form filing fee. The number of filings and the amount of revenue generated by the filing fees is expected to be minimal since most insurers already provide the notice required by the bill.

Small Business Effect: Most insurers already provide at least ten days notice of intent to cancel due to nonpayment of the premium. Insurers that do not currently provide at least ten days notice would be required to amend their policy forms, file the amended forms with MIA, and pay the filing fee. Small business insurers not currently providing the notice required under the bill would incur additional administrative expenses to comply with the notice requirement.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 27, 2000
drg/jr Revised - Senate Third Reader - March 22, 2000

Analysis by: Ryan Wilson

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510