

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 180 (Chairman, Economic Matters Committee)
(Departmental – Insurance Administration, Maryland)

Economic Matters

Finance

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

This departmental bill repeals the sunset provision for the prohibition against insurers canceling or refusing to renew homeowner's insurance policies for weather-related claims and the prohibition against canceling or refusing to renew private passenger motor vehicle insurance based on the claims history of an insured when two or fewer of the claims within the preceding three-year period were for accidents or losses in which the insured was not at fault for the loss.

The bill is effective June 1, 2001.

Fiscal Summary

State Effect: The bill would not substantively change State activities or operations.

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration (MIA) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: An insurer, agent, or broker may not cancel or refuse to underwrite or renew an insurance risk or class of risk for reasons based wholly or partly on race, color,

creed, sex, or blindness of an applicant or policyholder or for any arbitrary capricious, or unfairly discriminatory reason. For automobile insurance, an insurer may not refuse to underwrite an automobile insurance risk, or cancel, refuse to renew, or otherwise terminate coverage for an automobile insurance risk because of a claim, traffic violation, or traffic accident that occurred more than three years before the policy's or renewal's effective date.

Under Chapter 652 of 1998, with certain exceptions, an insurer may not cancel or refuse to renew a homeowner's insurance policy based on the claims history of an insured for weather-related claims, unless there were three or more weather-related claims within the preceding three-year period. An insurer may not cancel or refuse to renew private passenger motor vehicle insurance based on the claims history of an insured when two or fewer of the claims within the preceding three-year period were for accidents or losses in which the insured was not at fault for the loss. Chapter 652 sunsets September 30, 2001.

Background: The bill preserves consumer protections against cancellation of homeowner's insurance and private passenger motor vehicle insurance when the insured is not responsible for the loss. MIA advises that property and casualty consumer complaints relating to cancellation and nonrenewal of personal lines policies have decreased since enactment of Chapter 652. MIA further advises that consumer complaints relating to premium increases have increased, especially for personal automobile lines. It is unclear, however, whether the changes in the number and types of complaints received result from Chapter 652 or from other, unrelated factors.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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