

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

House Bill 1410 (Delegate McHale)
 Economic Matters

Insurance - Premium Increases - Surcharges and Retiering

This bill restricts the exemptions from the notice provisions applicable to motor vehicle premium rate increases to cases in which the premium increase results from a surcharge or “retiering.” The bill adds an increase that results from an insured’s action or a change to a policy requested by an insured to the exclusions from the property and casualty insurance notice provisions for premium rate increases. The bill prohibits, with limited exceptions, an insurer other than the Maryland Automobile Insurance Fund (MAIF) from imposing a surcharge or retiering a risk to an underwriting tier that entails a higher premium for a motor vehicle liability policy or binder issued in the State to a resident of the household of the named insured, without sending written notification at least 45 days in advance. The bill exempts surcharges or retiering as part of a general increase in premiums not resulting from a reclassification of an insured from the motor vehicle insurance notice provisions.

The bill is effective June 1, 2001.

Fiscal Summary

State Effect: Special fund revenues could increase by \$25,000 in FY 2002 only from rate and form filing fees. No effect on expenditures because any increase in workload could be handled with the existing budgeted resources of the Maryland Insurance Administration (MIA).

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
SF Revenue	\$25,000	\$0	\$0	\$0	\$0
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$25,000	\$0	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

MAIF: None. Because MAIF does not renew policies, it does not send estimated premium amounts to insureds for the next policy period.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Motor vehicle liability insurance issued to an individual and insurance written or issued by MAIF are exempt from the notice requirement provisions applicable to property and casualty insurance policies. Whenever an insurer intends to increase a property and casualty insurance premium for a particular policy by 20% or more, the insurer must notify the insured and agent of the increase by first class mail at least 45 days before the increase's proposed effective date.

For a motor vehicle liability policy or binder issued in the State to a resident of the household of the named insured, an insurer other than MAIF may not, without sending written notification at least 45 days in advance: (1) cancel or fail to renew the policy or binder for a reason other than nonpayment of premium; (2) increase a premium for any coverage on the policy; or (3) reduce coverage under the policy. A premium increase as part of a general premium increase that does not result from a reclassification of the insured, a reduction as part of a general reduction in coverage, and a failure to renew a policy that takes place under a plan of withdrawal are exempt from the notice provisions.

Background: MIA has proposed a regulation, published in the February 23, 2001 issue of the *Maryland Register*, that would require property and casualty insurers to provide notice for a premium increase for reasons other than a surcharge. Current MIA regulations require that a 45-day notice be provided for an increase in premium due to a surcharge.

State Revenues: MIA estimates that approximately 200 personal motor vehicle liability insurers would file a form for notices of premium increase due to retiering. Each form filed would be subject to the \$125 form filing fee. Current staff could handle any additional filings resulting from the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader – March 12, 2001
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