

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 26 (Senator Teitelbaum)
Finance

Disability Insurance - Liability of Insurers for Penalties and Interest on Disputed Claims

This bill provides that if an insurer appeals an order of the Maryland Insurance Commissioner to pay a claim to the insured under a disability insurance policy and each court that hears the appeal affirms the order, the insurer is liable to the insured for: (1) a 10% penalty on the amount of the claim; and (2) interest at a specified rate.

Fiscal Summary

State Effect: Any increase in complaints to the Insurance Administration would not materially affect governmental operations or finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: An insurer is entitled to a quasi-judicial hearing by the Insurance Commissioner if the Commissioner orders payment. The insurer may appeal the order that results from the hearing to the Circuit Court for Baltimore City.

Background: Insurers pay the amount of the original claim, without interest or penalty, if an order from the Insurance Commissioner is affirmed on appeal. The appeals process may take up to two years to complete.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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ef/jr

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