

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 1002
Economic Matters

(Delegate Mitchell)

Finance

Motor Vehicle Liability Insurance - Premium Increases - Consumer Information

This bill prohibits an insurer from requiring a particular payment plan for an insured for coverage under a private passenger or homeowner's insurance policy based on the insured's credit history.

The bill requires an insurer to include a section in a private passenger automobile policyholder's renewal statement describing the policyholder's rights under Maryland law regarding the policy. The bill also establishes new notice requirements for premium increases for automobile insurers other than the Maryland Automobile Insurance Fund (MAIF).

The bill is contingent upon the taking effect of HB 521 of 2002 (legislation that bans the use of credit in personal lines property and casualty insurance).

Fiscal Summary

State Effect: Assuming HB 521 takes effect, special fund revenues could increase by \$25,000 in FY 2003 from 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).

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill requires insurers, in the statement they are required to give to policyholders at the time of issuance or renewal of a private passenger automobile insurance policy, to include a section that provides a general description of the factors, including credit information, that may contribute to an increase in a policy premium. The bill requires an insurer other than MAIF that markets private passenger automobile insurance through independent producers to make a copy of the statement available to its producers.

For premium increases, the bill requires the notice that must be sent to the insured include the amount of the increase and the type of coverage to which it is applicable.

The bill restricts the current requirement that a non-MAIF private passenger automobile insurer maintain the current insurance and rate until a final determination on a protest of a premium increase to increases of more than 15%. If a proposed increase is based on a credit score or information from a credit report, the bill requires insurers to include specified information on the consumer reporting agency, including contact information for the consumer reporting agency.

The bill specifies that the Commissioner may not disallow an insurer's proposed action because the statement of actual reasons contains: (1) nonmaterial and non-misleading grammatical, typographical, or other errors; or (2) nonmaterial and non-misleading surplus information.

For a premium increase of 15% or less for the entire policy that is disallowed by the Commissioner, the bill requires the insurer to return all disallowed premiums received from the insured, with interest.

The bill authorizes the Commissioner to adopt regulations that exclude certain premium increases from the requirements applicable to premium increases.

The bill applies to cancellations of, failures to renew, increases in premium for, and reductions in coverage under a policy of motor vehicle liability insurance that are effective on or after January 1, 2003.

The bill requires the Commissioner to study the feasibility of establishing an internal grievance process for resolving complaints about proposed adverse actions by private passenger automobile insurers. The bill requires the Commissioner to report on the study's findings to the Senate Finance Committee and House Economic Matters Committee by December 15, 2002.

Current Law: A non-MAIF insurer must provide a private passenger automobile insurance policyholder, at the time of issuance or renewal of the policy, a statement that: (1) defines the policyholder's rate classifications; and (2) includes a summary of the insurer's approved surcharge plan or driver record point plan for the policy.

For a rate increase that is not part of a general increase in premiums approved by the Commissioner, at least 45 days before the proposed effective date of a premium rate increase, a non-MAIF auto insurer must send written notice of its proposed action to the insured by certificate of mailing. The notice must be in triplicate and state in clear and specific terms: (1) the proposed action and its effective date; (2) the amount of the premium increase and the type of coverage to which it is applicable; (3) the actual reason for the action and the name of the individual to be excluded if an offer to exclude an individual is extended; (4) the insured's protest rights; and (5) that if a protest is filed, the increase is stayed pending a final determination.

An insured may protest a proposed action by sending two copies of the required notice to the Insurance Commissioner within 30 days after the mailing date of the notice. A filed protest stays the proposed increase pending a final determination by the Commissioner. A dismissal of the protest is deemed to be a final determination 20 days after the mailing date of the Commissioner's notice of action. Except in the case of a premium increase that is consistent with the insurer's authorized surcharge plan, the Commissioner must hold a hearing after having given ten days' written notice.

If the Commissioner finds the proposed action to be justified, the claim must be dismissed. The insurer may then take the proposed action on the later of the action's proposed effective date or 30 days after the determination. If the action is found to be unjustified, the Commissioner must disallow the action and may order the insurer to pay the reasonable attorney fees of the insured.

State Revenues: MIA estimates that approximately 100 insurers and rating bureaus would file rating information forms for prior approval. MIA further estimates that most of the insurers and bureaus would file new notice forms. If each of these insurers filed one rate form and one notice form, MIA's special fund revenue would increase by \$25,000 in fiscal 2003 from the \$125 form filing fee.

Additional Information

Prior Introductions: None.

Cross File: SB 605 (Senator Kelley) – Finance.

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

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