

Department of Legislative Services  
Maryland General Assembly  
2002 Session

FISCAL NOTE

Senate Bill 605  
Finance

(Senator Kelley)

---

**Motor Vehicle Liability Insurance - Premium Increases - Consumer Information**

---

This 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 provisions relating to the new notice requirements are effective January 1, 2003.

---

**Fiscal Summary**

**State 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: (1) provides a general description of the factors, including credit information, that may contribute to an increase in a policy premium; (2) informs the insured of the right to an explanation of a premium increase;

(3) advises that an insurer may not charge a premium unless it complies with Maryland's insurance law and the insurer's rating plan filed with the Maryland Insurance Commissioner; (4) informs the insured of the right to file a protest of a premium that does not comply with the insurance law or the rating plan, and describes the protest filing procedure; and (5) advises that an individual within a household may be excluded, by law, from coverage under the policy.

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. The bill provides that the statement insurers are required to give to policyholders at the time of issuance or renewal of a private passenger automobile insurance policy is not invalid because of: (1) a nonmaterial, typographical, or grammatical error; or (2) the inclusion of nonmaterial information in the notice.

For a renewal policy premium increase of 20% or more, the bill requires a non-MAIF insurer, for a policy or binder of motor vehicle liability insurance that has been in effect for at least 45 days issued in the State to a resident of the household of the named insured, to send by certificate of mailing written notice of the increase to the insured. The notice must be sent at least 45 days before the effective date of a proposed renewal policy premium increase. The notice must be in triplicate and include: (1) the reason for the increase; (2) information on the insured's protest rights and the insured's duty to pay any undisputed premium; (3) contact information for the Insurance Commissioner; and (4) that general rate information is available from the Commissioner.

An insured may protest the renewal policy premium increase by sending written notice to the Commissioner within 30 days after the mailing date of the notice. The Commissioner must notify the insurer of the protest's filing. Upon notification, the insurer must recalculate the renewal policy premium and provide a written explanation of the recalculation. The Commissioner may request any additional information necessary to resolve the protest. If an increase is the subject of a protest, it may not be charged until the Commissioner has made a final determination. The Commissioner may adopt regulations to exempt renewal increases from these requirements.

For a renewal policy premium increase of less than 20%, the bill requires a non-MAIF insurer, for a policy or binder of motor vehicle liability insurance that has been in effect for at least 45 days issued in the State to a resident of the household of the named insured, to send written notice of the increase. The currently required notice of renewal premium is deemed to satisfy this requirement. An insured may protest the renewal policy premium increase by sending written notice to the Commissioner within 30 days after the mailing date of the notice. If the Commissioner disallows an increase, the insurer must return all disallowed premiums within 30 days after the disallowance, plus

simple interest of 10% per annum. If the insured fails to return any disallowed premiums or fails to pay the required interest, the Commissioner may impose an administrative penalty ranging between \$100 and \$500.

The bill's notice requirements do not apply to a renewal policy premium increase that is part of a general premium increase or results from a insured-initiated change in the policy.

**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:** HB 1002 (Delegate Mitchell) – Economic Matters.

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

**Fiscal Note History:** First Reader - February 27, 2002  
ncs/jr

---

Analysis by: Ryan Wilson

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