

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 1236
Economic Matters

(Delegate Brown)

Finance

Homeowner's Insurance - Cancellation

This bill authorizes an insurer to cancel a homeowner's insurance policy that requires a one-time deposit for a stated amount of coverage (perpetual insurance) if the cancellation: (1) takes effect on the anniversary of the policy's inception; (2) is not based on a claim that occurred more than three years before the anniversary date of the policy on which the proposed cancellation would take effect; and (3) is otherwise in accordance with other anti-discrimination insurance laws.

Fiscal Summary

State Effect: Special fund revenues would increase by approximately \$250 in FY 2003 from the \$125 rate and form filing fee charged by the Maryland Insurance Administration (MIA). Enforcement could be handled with the MIA's existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: An insurer may not cancel, refuse to renew, or otherwise terminate coverage for a homeowner's insurance risk because of a claim that occurred more than three years before the policy or renewal's effective date. Moreover, an insurer may not refuse to underwrite a homeowner's insurance risk because of a claim that occurred more than three years before the application date.

State Revenues: MIA advises that only one insurer currently issues policies of the type covered by the bill. The insurer would be required to file one new rate and one new form in fiscal 2003. Each rate and each form is subject to the \$125 rate and form filing fee.

Additional Information

Prior Introductions: None.

Cross File: SB 807 (Senator DeGrange) – Finance.

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

Fiscal Note History: First Reader - February 25, 2002
ncs/jr Revised - House Third Reader - April 1, 2002
Revised - Enrolled Bill - April 30, 2002

Analysis by: Ryan Wilson

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