

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 1239 (Delegate Krysiak)
 Economic Matters

Insurance - Proposed Premium Increase - Protest

This bill establishes a protest procedure for most property and casualty insurance policies other than private passenger motor vehicle liability insurance when the insurer intends to increase a premium by 20% or more.

Fiscal Summary

State Effect: Special fund expenditures for the Maryland Insurance Administration (MIA) could increase by \$76,800 in FY 2003, reflecting the bill's October 1, 2002 effective date. Out-year projections reflect annualization and inflation. Special fund revenues would increase to meet expenditures.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
SF Revenue	\$76,800	\$90,600	\$94,900	\$99,500	\$104,500
SF Expenditure	76,800	90,600	94,900	99,500	104,500
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill requires that the notice that an insurer must send to an insured and an insurance producer for a rate increase of 20% or more be in triplicate and on a form approved by the Maryland Insurance Commissioner. The bill authorizes an insured to protest the proposed rate increase by signing two copies of the notice and sending them to the Commissioner within 30 days after the mailing date of the notice.

The Commissioner must notify the insurer of the protest's filing. The filing stays the proposed rate increase pending a final determination by the Commissioner. The insured's rate remains the same pending the outcome of the final determination. The Commissioner must: (1) determine whether the protest has merit; (2) either dismiss the protest or disallow the proposed action; and (3) notify the insurer and the insured of the determination promptly in writing.

Current Law: For most property and casualty insurance policies other than private passenger motor vehicle insurance and insurance written by the Maryland Automobile Insurance Fund (MAIF), when an insurer intends to increase a premium for a particular policy by 20% or more, the insurer must notify the insured and the insurance producer of the increase. The notice must be sent by first-class mail to the insured and producer at least 45 days before the effective date of the proposed increase.

An insurer, other than MAIF, 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 stays 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 Fiscal Effect: Special fund expenditures could increase by an estimated \$76,800 in fiscal 2003, which accounts for the bill's October 1, 2002 effective date. This estimate reflects the cost of hiring two MIA officers for the property and casualty section to handle additional complaint activity related to the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$66,800
Operating Expenses	<u>10,000</u>
Total FY 2003 State Expenditures	\$76,800

Future year expenditures reflect: (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

MIA advises that approximately 200 independent insurers and bureaus would file premium increase notices because of the bill. Assuming this, special fund revenues from form filing fees would increase by \$25,000 in fiscal 2003. MIA is a specially funded agency, funded by fee revenues and an assessment on insurers. Any costs associated with the bill not accounted for by licensing and filing fee revenues would be made up through an increase in the assessment on insurers.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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