

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

Senate Bill 15
Finance

(Senator Ruben)

Insurance Policies - Cancellation or Nonrenewal Notices - Mailing Requirements

This bill requires an insurer that intends to cancel or refuse to renew a policy to send by certified mail, return receipt requested, a written notice of the intention to cancel or not to renew the policy.

Fiscal Summary

State Effect: Minimal increase in special fund revenues in FY 2004 from form filing fees collected by the Maryland Insurance Administration. Potential minimal general fund increase from premium tax revenues to the extent insurers raise rates to cover their increased mailing costs. Any workload increase could be handled with existing resources.

Maryland Automobile Insurance Fund (MAIF): Increase in expenditures to cover the increased cost for mailing cancellation notices, offset by an increase in premium revenues.

Local Effect: Potential minimal increase in insurance expenditures for local governments that do not self-insure.

Small Business Effect: Potential minimal.

Analysis

Current Law: An insurer that intends to cancel or refuse to renew a private passenger motor vehicle liability insurance policy for a reason other than nonpayment of premium must send a notice of cancellation or nonrenewal by certified mail. An insurer that

intends to cancel or refuse to renew a private passenger motor vehicle liability insurance policy for nonpayment of premium must send a notice of cancellation or nonrenewal by certificate of mailing. For insurance policies other than life, health, surety, or private passenger motor vehicle liability insurance, an insurer must send written notice to the insured by certificate of mailing before canceling or refusing to renew a policy for any reason.

MAIF: MAIF advises that it processed approximately 75,000 policy cancellations during 2002. Of those, approximately 51,400 were at the request of the premium finance company. The additional cost per notice sent for sending a notice by certified mail, return receipt requested is \$4.05 in addition to the cost of first class postage. This reflects the \$2.30 charge for certified mail and the \$1.75 fee for a return receipt.

Additional Information

Prior Introductions: A similar bill, SB 462, was introduced in the 1998 session and received an unfavorable report from the Senate Finance Committee.

Cross File: None.

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

Fiscal Note History: First Reader - January 28, 2003
mdf/jr

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