

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 582

(Senator Stone, *et al.*)

Finance

Homeowner's Insurance - Mediation - Valuation of Property

This bill requires the Maryland Insurance Commissioner to adopt regulations that establish a mediation process in the Maryland Insurance Administration (MIA) between a consumer and an insurer that issues or delivers a homeowner's insurance policy for: (1) settling claims involving property damage; and (2) determining the property's loss value. The Commissioner may establish qualifications for: (1) a person requesting mediation services; and (2) an individual applying to serve as a mediator. The Commissioner may contract with any qualified individual to provide mediation services.

Fiscal Summary

State Effect: Assuming that the bill is interpreted to allow the Commissioner to require parties seeking mediation to pay for the services of the mediator, the bill's requirements could be handled with the existing resources of MIA. If the bill is interpreted to require MIA to pay for contracted mediation services, special fund expenditures from the Insurance Regulation Fund would increase to the extent mediation services are used.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: A health insurer, nonprofit health service plan, or health maintenance organization (carrier) must provide its members with an appeals and grievance process. The appeals and grievance process establishes various mechanisms for a member to

appeal health benefits plan coverage and utilization review determinations made by a carrier or the carrier's private review agent.

An "adverse decision" is a utilization review determination made by a carrier that a particular health care service proposed or rendered to a member is not medically necessary, and therefore not covered by the member's insurance policy or contract. A "coverage decision" is an initial determination made by a carrier that a member or a particular health care service is not covered by the member's insurance policy or contract. A member may appeal these determinations through a carrier's internal appeals process, and may further appeal the carrier's final determination, or "grievance decision," to the Commissioner. The Health Care Advocacy Unit in the Office of the Attorney General may also assist members in the appeals process.

State Expenditures: If MIA is required to pay for contracted mediation services, expenditures from the Insurance Regulation Fund would increase to the extent the service is used. Mediation services range in price, typically costing between \$80 and \$300 per hour. A typical mediation may range in time from one hour to several days; however, most mediators set a minimum charge equaling the rate charged for two to three hours. How often mediation service would be used and the cost of each mediation cannot be reliably estimated. However, for illustrative purposes, if 200 consumers took advantage of the service in a given year at a cost to MIA of \$600 each, special fund expenditures would increase by \$120,000 in that year.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 5, 2004
ncs/ljm

Analysis by: Ryan Wilson

Direct Inquiries to:
(410) 946-5510
(301) 970-5510