

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 833
Economic Matters

(Delegate McHale)

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 2005 from the \$125 rate and form filing fee charged by the Maryland Insurance Administration (MIA). Enforcement could be handled with 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 2005. Each rate filed and each form filed is subject to the \$125 rate and form filing fee.

Additional Information

Prior Introductions: A similar bill, HB 966 was introduced during the 2003 session. As amended and passed in the House, HB 966 was identical to this bill. It was referred to, and heard in, the Senate Finance Committee, where no further action was taken. Identical bills, SB 807 and HB 1236, passed both houses during the 2002 session and were vetoed by the Governor.

Cross File: SB 533 (Senator Astle) – Finance.

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

Fiscal Note History: First Reader - February 13, 2004
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