

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 113
Finance

(Senator Klausmeier)

Homeowner's Insurance - Rating - Claims History

This bill prohibits a homeowner's insurer that considers claims history for the purpose of rating a risk from considering a claim by an insured or applicant against the insurer to obtain benefits due under a policy that arose out of a loss proximately caused by a third party.

The bill applies to personal lines homeowner's insurance policies and contracts issued, delivered, or renewed on or after October 1, 2005.

Fiscal Summary

State Effect: Special fund revenues could increase minimally in FY 2005 from rate and rule filing fees. General fund revenues could increase minimally from the 2% premium tax. Any increase in workload from filings under the bill or complaints because of the bill could be handled with the existing resources of the Maryland Insurance Administration.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Generally, an insurer must use standards that are reasonably related to the insurer's economic and business purposes in deciding whether to cancel or refuse to underwrite or renew a particular insurance risk or class of risk. For homeowner's

insurance, an insurer may not, based on the credit history of an applicant or insured: (1) refuse to underwrite, cancel, or refuse to renew a risk; (2) rate a risk; or (3) require a particular payment plan.

If an insurer considers claims history in deciding whether to cancel or refuse to renew coverage, the insurer must disclose the practice to an insured at the inception of the policy and at each renewal.

State Revenues: Homeowner's insurers that have rating plans that conflict with the bill would have to file amended rates and rules. Homeowner's insurers may increase their base rates because they would no longer be able to increase premiums for third-party losses. Insurers that raise their rates or revise rating factors would be required to submit revised rates and/or rules and pay the \$125 filing fee. Revenues for the Insurance Regulation Fund would increase in fiscal 2006 by \$125 for each rate or rule filed. The amount of the increase is unknown but is assumed to be minimal. General fund revenues from the 2% premium tax would increase to the extent insurers increase rates because of the bill. Any such increase cannot be accurately estimated but is assumed to be minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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