

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 158 (Chairman, Economic Matters Committee)
(By Request – Departmental – Insurance Administration, Maryland)

Economic Matters

Property and Casualty Insurance - Transfer Between Affiliates

This departmental bill provides that, for property and casualty insurance, an assignment, placement, or transfer of a named insured within or among affiliates within an insurance holding company system is a renewal, not a cancellation, and applies notification provisions to these actions. The bill also provides for the insured's protest of the action.

Fiscal Summary

State Effect: The bill would not materially affect the finances or operations of the Maryland Insurance Administration (MIA).

Local Effect: None.

Small Business Effect: MIA has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Bill Summary: For property and casualty insurance, the assignment, placement, or transfer of a named insured within or among affiliates within an insurance holding company system may not be deemed to be a cancellation or refusal to underwrite or renew a particular insurance risk or class of risk. Instead, it is deemed an offer to renew the policy.

An insured under a property and casualty insurance policy may protest the assignment, placement, or transfer in the same manner and on the same grounds on which an insured

may protest the cancellation or refusal to underwrite a new risk or renew a particular risk or class of risk.

The filing of a protest is not deemed to be a rejection of the offer to renew with an affiliate. Instead, the insured is deemed to be covered under the renewal offer, unless: (1) the insured expressly rejects the offer to renew; or (2) the Commissioner, after review, determines that the action violated the insurer's underwriting standards for a particular risk or class of risk.

The bill applies the current 45-day notification requirement applicable to private passenger motor vehicle insurance and to premium increases of 20% or more to premium increases that result from an assignment, placement, or transfer of an insured within or among affiliates. For increases of 20% or more, the notice must include a statement of the actual reason for the action.

The bill applies the current 17-day notification requirement applicable to a renewal premium to renewals done by assigning, placing, or transferring a policyholder to an affiliate. The notice of renewal premium for such a policyholder must include a statement of the actual reason for the action.

Under the bill, an affiliate is a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with another person.

Current Law: There is no provision specifically authorizing a transfer between affiliated companies.

Background: MIA advises that there are various ways in which insurance companies may differentiate between policy classifications. In the first, the insurance company may offer differing classes of policies by the same company. In this instance, an insured may be offered a policy in a different classification at renewal because the insured no longer meets the criteria for the former classification.

In the second instance, the insurance company may form a holding company with separate companies that offer different classifications of policies. With this type of company, in order to offer the insured a new policy in a classification, the insurance company must send a notice of cancellation to the insured and a separate offer for a new policy. MIA advises that this causes concern and confusion on the part of the insured when it occurs.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 1, 2005
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