Department of Legislative Services

Maryland General Assembly 2005 Session

FISCAL AND POLICY NOTE Revised

Senate Bill 128 (Chairman, Finance Committee)

(By Request – Departmental – Insurance Administration, Maryland)

Finance Economic Matters

Insurance - Workers' Compensation - Cancellation or Nonrenewal of Policies

This departmental bill specifies that the notice requirement for the cancellation of a workers' compensation policy applies to nonrenewals of those policies as well as midterm cancellations. The cancellation notice must state the insurer's actual reason for proposing the cancellation or nonrenewal. It also changes the timeframe for notice of cancellation of a workers' compensation policy for nonpayment of premiums from within 30 to 10 days of cancellation. The insurer must provide notice to the employer by certificate of mail before cancellation and file a copy of the notice with the Workers' Compensation Commission (WCC) designee and prohibits certain actions by WCC.

Fiscal Summary

State Effect: None. The bill codifies current practice related to notice requirements for nonrenewals. The requirement to provide 10 days notice for nonrenewals related to nonpayment of premiums would not materially affect governmental operations or finances.

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. The attached assessment does not reflect amendments to the bill.

Analysis

Bill Summary: WCC may not disallow a proposed action of an insurer because the statement of actual reason in the cancellation notice contains: (1) grammatical, typographical, or other errors, if the errors are not material to the proposed action and are not misleading; (2) surplus information, if the surplus information is not misleading; or (3) erroneous information, if in the absence of the erroneous information there is a sufficient basis to support the proposed action.

Current Law: An insurer must provide notice of workers' compensation insurance cancellation to the employer at least 30 days prior to the date of cancellation. The notice must be served on the employer either by personal service or certified mail and a copy filed with WCC. The employer is required to secure other workers' compensation insurance as provided by law effective as of the prior policy's cancellation date.

Background: Notice of cancellation of most other insurance policies for nonpayment of premiums is required 10 days prior to the effective date, including motor vehicle insurance, all casualty and property insurance, and life and health insurance.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Uninsured Employers' Fund, Workers' Compensation Commission, Injured Workers' Insurance Fund, Subsequent Injury Fund, Maryland Insurance Administration, Department of Legislative Services

Fiscal Note History: First Reader - March 16, 2005

mll/jr Revised - Senate Third Reader - April 4, 2005

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