

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 1216
Economic Matters

(Delegate Marriott)

**Insurance - Homeowner's Insurance and Motor Vehicle Liability Insurance
Policies - Notices of Cancellation and Nonrenewal**

This bill requires an insurer to send written notices by certified mail, return receipt requested for: (1) cancellations and nonrenewals for homeowner's insurance; and (2) cancellations and nonrenewals for motor vehicle liability insurance.

The bill applies to notices sent on or after October 1, 2006.

Fiscal Summary

State Effect: Special fund revenues would increase in FY 2007 to the extent homeowner's insurers and motor vehicle liability insurers file forms with the Maryland Insurance Administration (MIA) under the bill. Expenditures would not be affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Generally, for homeowner's insurance, when an insurer intends to cancel or decline to renew an insurance policy, the insurer must cause to be sent to the insured, by certificate of mailing, a written notice at least 45 days before the proposed cancellation or expiration of the policy. An insurer must send, by certificate of mailing, a written notice of intention to cancel a policy for nonpayment of premium at least 10 days before the proposed cancellation date. The insurer must also inform the insured of the

possible right to replace the insurance under the Maryland Property Insurance Availability Act or through another plan for which the insured may be eligible.

Generally, for motor vehicle liability insurance, when an insurer intends to cancel a policy, decline to renew it, increase a policy's premium, or reduce coverage, at least 45 days before the proposed action, the insurer must send written notice to the insured: (1) for a notice of cancellation or nonrenewal, by certified mail; and (2) for all other notices, by certificate of mailing. For a cancellation for nonpayment of premium, the notice must be sent by certificate of mailing at least 10 days before the proposed cancellation.

State Revenues: MIA advises that 128 licensed homeowner's insurers and 159 private passenger motor vehicle insurers in the State reported written premium in 2004, the last period for which the data are available. Each of these may have several insurance products for which a form would be filed under the bill. Each form filed would be subject to the \$125 filing fee. *For illustrative purposes*, if all 287 of these insurers filed one form, revenues for the Insurance Regulation Fund would increase by \$35,875 in fiscal 2007.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 6, 2006
ncs/ljm

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