HB 634

Department of Legislative Services

Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

House Bill 634 (Delegate Feldman)
Economic Matters Finance

Insurance - Binders or Policies - Personal Insurance

This bill applies provisions governing binders or contracts for temporary insurance to "personal insurance." Under the bill, personal insurance means property insurance or casualty insurance issued to an individual, trust, estate, or similar entity that is intended to insure against loss arising principally from the insured's personal, noncommercial activities.

The bill also establishes a 10-day notice period for cancellations due to nonpayment of premium during the underwriting period. The notice must be in writing and sent by certificate of mail at least 10 days before the cancellation's effective date.

The bill applies to binders or policies of personal insurance issued or delivered on or after October 1, 2007.

Fiscal Summary

State Effect: Special fund revenues would increase minimally in FY 2008 from the $125 filing fee for filings by insurers with the Maryland Insurance Administration (MIA). Expenditures would not be affected.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The provisions governing binders or contracts for temporary insurance apply only to a binder or policy (other than a renewal policy) of private passenger motor vehicle, homeowners, dwelling, credit loss, or commercial property insurance or liability insurance.

Under these provisions, an insurance binder or policy is subject to a 45-day underwriting period beginning on the coverage's effective date. During this period, an insurer may cancel a binder or policy if the risk does not meet the insurer's underwriting standards.

An insurer must give written notice concerning its ability to cancel during the underwriting period. Generally, an insurer has to give at least 15 days written notice and state its actual reason for the cancellation.

A binder or other contract for temporary insurance may be made orally or in writing and generally is considered to include: (1) all the usual terms of its policy; and (2) the applicable endorsements designated in the binder. The binder is no longer valid after its policy is issued.

For a binder given to a consumer borrower to satisfy a lender's requirement, the insurer or insurance producer must also include with the binder: (1) the name and address of the insured and the lender; (2) a description of the insured property; (3) except in the case of a renewal after the closing of a loan, a paid receipt; and (4) the amount of coverage. The insurer must issue an insurance policy or provide the required cancellation notice of the binder within 45 days after the binder was written. If an insurer intends to cancel the binder, the insurer must give at least 15 days written notice to both the lender and the insured.

State Revenues: Personal lines insurers would be required to make changes to the cancellations provision of their policy contracts. The changes would be filed with MIA. Revenues to the Insurance Regulation Fund would increase by $125 for each filing. *For illustrative purposes only*, if 100 insurers made one filing because of the bill, revenues would increase by $12,500.

Additional Information

Prior Introductions: None.

Cross File: SB 588 (Senator Garagiola) – Finance.

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

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