

Department of Legislative Services  
Maryland General Assembly  
2007 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 765

(Senator Exum)

Finance

Economic Matters

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Workers' Compensation Insurance - Notice - Premiums

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This emergency bill requires insurers to notify workers' compensation insurance policyholders of increases in renewal premiums of 20% or more at least 45 days prior to the expiration of a policy. Insurers are also required to provide estimates of renewal policy premiums if a workers' compensation policyholder declines to provide additional requested information for determining a premium amount.

The bill applies to all workers' compensation insurance policies issued, delivered, or renewed on or after the effective date of the Act.

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Fiscal Summary

**State Effect:** This bill is not expected to materially impact State finances or operations.

**Local Effect:** None.

**Small Business Effect:** Potential minimal.

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Analysis

**Bill Summary:** This bill extends commercial insurance policy renewal notification requirements to workers' compensation insurance policyholders. The bill requires insurers to notify workers' compensation insurance policyholders of premium increases of 20% or more 45 days prior to the expiration of a policy. Notification must include telephone contact information for reaching the insurer.

If an insurer requests information from a worker's compensation insurance policyholder to determine the renewal policy premium, the insurer is required to provide a reasonable estimate of the renewal premium if the insurer does not receive the requested information.

In determining the amount of a premium increase, an insurer is not required to include premium resulting from change in exposure, application of an experience or retrospective rating plan, or an audit of the insured.

**Current Law:** Chapter 580 of 2006 made various changes to State law relating to cancellation and nonrenewal of insurance policies, effective January 1, 2007. Among these changes, the Act repealed provisions requiring insurers to provide notice of renewal premiums 17 days prior to the due date. These provisions were repealed in favor of a 45-day notice period applicable only to renewal of personal insurance and private passenger motor vehicle liability insurance policies.

Chapter 580 also repealed the general 45-day notification requirements for renewal premium increases of 20% or more. These notification requirements were made applicable only to commercial insurance policies. For personal and residual market policies, the legislation instead required insurers to provide 45 days notice to the insured and the insurance producer stating both the amount of the renewal and expiring premium, regardless of the amount of increase.

**Background:** Prior to January 1, 2007, insurers were required to provide 45 days notice to workers' compensation insurance policyholders whose renewal premium would increase by 20% or more. For increases of less than 20%, insurers were required to notify these policyholders of renewal premiums at least 17 days prior to the due date.

With omission of workers' compensation insurance from notification requirements, these policyholders are not legally guaranteed advance notice of premium increases. Lacking this notice, policyholders are limited in pursuing more favorable rates.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 7, 2007  
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