

**Department of Legislative Services**  
Maryland General Assembly  
2008 Session

**FISCAL AND POLICY NOTE**

House Bill 750

(Chair, Economic Matters Committee )(By Request –  
Departmental – Insurance Administration, Maryland)

Economic Matters

Finance

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**Insurance - Notice of Cancellation of Binders or Policies - Certificate of Mail**

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This departmental bill requires insurers to send notices of binder or policy cancellation by certificate of mail.

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**Fiscal Summary**

**State Effect:** Enforcement of the bill could be handled with the existing budgeted resources of 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.

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**Analysis**

**Current Law:** Under Maryland law, insurers offering personal property or casualty insurance, commercial property insurance, and commercial liability insurance may cancel a binder or policy during a 45-day underwriting period that begins on the effective date of coverage. Insurers must provide written notice at the time of application of this ability to cancel during the underwriting period. If an insurer decides to cancel during this period, the insurer has to provide written notice of the cancellation, which can take effect no sooner than 15 days after mailing, and clearly states the insurer's actual reason for the cancellation. Currently, notice of cancellation must only be sent by certificate of mail in instances where the cancellation is due to nonpayment of premium.

**Background:** Chapter 580 of 2006 amended the Insurance Article to permit cancellation of insurance policies or binders during a 45-day underwriting period. Although other cancellation notices for property and casualty insurance must be sent by certificate of mail, the 2006 amendment did not specify the required method of notice for underwriting period cancellations. The Maryland Insurance Administration currently requires insurers to send such notices via certificate of mail, a policy that would be codified by the bill. Certificate of mail is the least expensive method that provides a record of the date of mailing. A record of mailing is important to MIA when a consumer complaint triggers an investigation regarding insurer compliance with State law. Records of mailings also assist MIA in monitoring insurer practices surrounding cancellations.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 11, 2008  
ncs/ljm

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