

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1581
Economic Matters

(Delegate Harrison, *et al.*)

Finance

**Private Passenger Motor Vehicle Insurance, Homeowner's Insurance, and
Personal Insurance - Renewals of Policies - Transfers of Policyholders Between
Insurers**

This bill allows private passenger automobile insurers and homeowner insurers to transfer policyholders among affiliates within the same insurance group holding company system, under specified circumstances, with the transfer being classified as a renewal.

Fiscal Summary

State Effect: The bill would not directly affect State government finances or operations.

Maryland Automobile Insurance Fund: The bill will not directly affect MAIF finances or operations because MAIF does not issue renewals and is not a member of a holding company system.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill states that, with respect to private passenger motor vehicle insurance and homeowners' insurance policies, the transfer of a policyholder between admitted insurers within the same insurance holding company system is a renewal if • the policyholder's premium does not increase; and • the policyholder does not experience a reduction in coverage.

With respect to policies of personal insurance and private passenger motor vehicle liability insurance, the issuance by an insurer of a new policy to replace an expiring policy issued by that insurer is a renewal – as is the issuance of a new policy to replace an expiring policy issued by another admitted insurer within the same insurance holding company system, subject to the same two conditions aforementioned. If a policyholder is being transferred between affiliate insurers in the same insurance holding company system, the statutorily required notice has to include disclosure of the transfer.

Current Law: Title 27 of the Insurance Article regulates insurance trade practices in accordance with the intent of the U.S. Congress as expressed in the McCarran-Ferguson Act by defining and prohibiting all insurance trade practices in the State that are unfair methods of competition or unfair or deceptive acts. These State laws prohibit an insurer from cancelling or refusing to underwrite or renew a particular insurance risk or class of risk for a reason based wholly or partly on race, color, creed, sex, or blindness of an applicant or policyholder or for any arbitrary, capricious, or unfairly discriminatory reason. An insurer also may not cancel or refuse to underwrite or renew a particular insurance risk or class of risk except by the application of standards that are reasonably related to the insurer's economic and business purposes.

An insurer is required to send written notice via certified mail to an insured when it is the insurer's intention to cancel or not to renew a policy or before cancelling a policy for a reason other than nonpayment of premium. This notice is required to be sent at least 45 days before the date of the proposed cancellation or expiration of the policy and must contain notice of the possible right of the insured to replace the insurance under the Maryland Property Insurance Availability Act or through another plan for which the insured may be eligible. An insurer is required to maintain proof of mailing in a form authorized or accepted by the U.S. Postal Service. However, no notice is required if the insured has replaced the insurance.

Background: The bill subjects transfers of insurance policies between affiliate insurers within the same holding company system to the same restrictions and requirements as policy renewal.

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 18, 2008
mll/ljm

Analysis by: Alexander M. Rzasa

Direct Inquiries to:
(410) 946-5510
(301) 970-5510