

HOUSE BILL 648

C4

9lr2390
CF SB 768

By: **Delegate Harrison**

Introduced and read first time: February 9, 2009

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 20, 2009

CHAPTER _____

1 AN ACT concerning

2 **Commercial Insurance and Workers' Compensation Insurance – Renewals of**
3 **Policies – Transfers of Policyholders Between Insurers**

4 FOR the purpose of providing that, with respect to commercial insurance policies and
5 workers' compensation insurance policies, the transfer of a policyholder between
6 certain insurers within a certain insurance holding company system is a
7 renewal under certain circumstances; providing that, with respect to
8 commercial insurance and workers' compensation insurance, the issuance by an
9 insurer of a new policy to replace an expiring policy issued by that insurer is a
10 renewal; providing that, with respect to commercial insurance and workers'
11 compensation insurance, the issuance by an insurer of a new policy to replace
12 an expiring policy issued by a certain insurer within a certain insurance holding
13 company system is a renewal under certain circumstances; making certain
14 notice requirements applicable to all premium increases for policies of
15 commercial insurance and policies of workers' compensation insurance, with a
16 certain exception; establishing certain methods for satisfying a certain notice
17 requirement; requiring, for policies of commercial insurance and policies of
18 workers' compensation insurance, that certain notice of the transfer of a
19 policyholder between certain insurers be provided under certain circumstances;
20 providing for the application of this Act; providing for a delayed effective date
21 for certain provisions of this Act; and generally relating to transfers of
22 policyholders between insurers and renewals of policies of commercial insurance
23 and workers' compensation insurance.

24 BY repealing and reenacting, without amendments,
25 Article – Insurance

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 Section 27-501(a)
 2 Annotated Code of Maryland
 3 (2006 Replacement Volume and 2008 Supplement)

4 BY repealing and reenacting, with amendments,
 5 Article – Insurance
 6 Section 27-501(q) ~~and 27-601.1, 27-601.1, and 27-608~~
 7 Annotated Code of Maryland
 8 (2006 Replacement Volume and 2008 Supplement)

9 BY adding to
 10 Article – Insurance
 11 Section 27-608.1
 12 Annotated Code of Maryland
 13 (2006 Replacement Volume and 2008 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
 15 MARYLAND, That the Laws of Maryland read as follows:

16 **Article – Insurance**

17 27-501.

18 (a) (1) An insurer or insurance producer may not cancel or refuse to
 19 underwrite or renew a particular insurance risk or class of risk for a reason based
 20 wholly or partly on race, color, creed, sex, or blindness of an applicant or policyholder
 21 or for any arbitrary, capricious, or unfairly discriminatory reason.

22 (2) Except as provided in this section, an insurer or insurance
 23 producer may not cancel or refuse to underwrite or renew a particular insurance risk
 24 or class of risk except by the application of standards that are reasonably related to
 25 the insurer's economic and business purposes.

26 (q) For purposes of this section, with respect to private passenger motor
 27 vehicle insurance policies, [and] homeowner's insurance policies, **COMMERCIAL**
 28 **INSURANCE POLICIES, AND WORKERS' COMPENSATION INSURANCE POLICIES,**
 29 the transfer of a policyholder between admitted insurers within the same insurance
 30 holding company system, as defined in § 7-101 of this article, is a renewal if:

31 (1) the policyholder's premium does not increase; and

32 (2) the policyholder does not experience a reduction in coverage.

33 27-601.1.

34 (a) For purposes of this subtitle, with respect to policies of personal
 35 insurance, [and] private passenger motor vehicle liability insurance, **COMMERCIAL**

1 **INSURANCE, AND WORKERS' COMPENSATION INSURANCE**, the issuance by an
2 insurer of a new policy to replace an expiring policy issued by that insurer is a
3 renewal.

4 (b) For purposes of this subtitle, with respect to policies of personal
5 insurance, [and] private passenger motor vehicle liability insurance, **COMMERCIAL**
6 **INSURANCE, AND WORKERS' COMPENSATION INSURANCE**, the issuance by an
7 insurer of a new policy to replace an expiring policy issued by another admitted
8 insurer within the same insurance holding company system, as defined in § 7-101 of
9 this article, is a renewal if:

10 (1) the policyholder's premium does not increase; and

11 (2) the policyholder does not experience a reduction in coverage.

12 **27-608.1.**

13 (A) **THIS SECTION APPLIES TO POLICIES OF COMMERCIAL INSURANCE**
14 **AND POLICIES OF WORKERS' COMPENSATION INSURANCE.**

15 (B) **(1) IF A POLICYHOLDER IS BEING TRANSFERRED BETWEEN**
16 **ADMITTED INSURERS WITHIN THE SAME INSURANCE HOLDING COMPANY**
17 **SYSTEM, AS DEFINED IN § 7-101 OF THIS ARTICLE, THE INSURER PROVIDING**
18 **THE NEW POLICY SHALL PROVIDE NOTICE OF THE TRANSFER TO THE**
19 **POLICYHOLDER.**

20 **(2) AN INSURER SHALL BE CONSIDERED TO HAVE MET THE**
21 **NOTICE REQUIREMENT OF THIS SECTION IF THE INSURER HAS SENT TO THE**
22 **NAMED INSURED A RENEWAL POLICY THAT INCLUDES A NOTICE OF TRANSFER,**
23 **OR A NOTICE ON THE DECLARATION PAGE OF THE RENEWAL POLICY, NOTIFYING**
24 **THE INSURED THAT THE POLICY HAS BEEN TRANSFERRED FROM THE PRIOR**
25 **NAMED INSURER TO THE NEW OR RENEWING NAMED INSURER.**

26 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
27 read as follows:

28 **Article - Insurance**

29 **27-608.**

30 (a) **(1) This section applies to:**

31 **[(1)] (I) policies of commercial insurance; and**

32 **[(2)] (II) policies of workers' compensation insurance.**

1 **(2) THIS SECTION DOES NOT APPLY TO POLICIES ISSUED TO**
2 **EXEMPT COMMERCIAL POLICYHOLDERS, AS DEFINED IN § 11-206(J) OF THIS**
3 **ARTICLE.**

4 **(b) Unless an insurer has given notice of its intention not to renew a policy**
5 **subject to this section, if the insurer seeks to increase the renewal policy premium [by**
6 **20% or more], the insurer shall send a notice to the named insured and insurance**
7 **producer, if any, not less than 45 days prior to the renewal date of the policy.**

8 **(c) [A] SUBJECT TO SUBSECTION (D) OF THIS SECTION, A notice under**
9 **this section shall include:**

10 **(1) both the expiring policy premium and the renewal policy premium;**
11 **and**

12 **(2) the telephone number for the insurer or insurance producer, if any,**
13 **together with a statement that the insured may call to request additional information**
14 **about the premium increase.**

15 **(d) (1) If an INSURER SEEKS TO INCREASE THE RENEWAL POLICY**
16 **PREMIUM AND THE insurer's rating methodology requires the insured to provide**
17 **information to calculate the renewal policy premium, an insurer shall provide a**
18 **reasonable estimate of the renewal policy premium if:**

19 **(i) the insurer has requested the required information from the**
20 **insured; and**

21 **(ii) the insurer has not received the requested information.**

22 **(2) A reasonable estimate under this subsection shall be based upon**
23 **the information available to the insurer at the time the notice is sent.**

24 **(e) [In determining the amount of a premium increase under this section, the**
25 **insurer is not required to include premium resulting] THE REQUIREMENTS OF THIS**
26 **SECTION DO NOT APPLY TO THE EXTENT THAT THE PREMIUM INCREASE**
27 **RESULTS from:**

28 **(1) an increase in the units of exposure;**

29 **(2) the application of an experience rating plan;**

30 **(3) the application of a retrospective rating plan;**

31 **(4) a change made by the insured that increases the insurer's**
32 **exposure; or**

1 (5) an audit of the insured.

2 (f) A notice required by this section shall be sent by first-class mail and may
3 be sent together with the renewal policy.

4 (G) AN INSURER SHALL BE CONSIDERED TO HAVE MET THE NOTICE
5 REQUIREMENT OF THIS SECTION IF, NOT LESS THAN 45 DAYS BEFORE THE
6 EFFECTIVE DATE OF THE RENEWAL POLICY, THE INSURER HAS SENT:

7 (1) TO THE NAMED INSURED, A RENEWAL POLICY THAT INCLUDES
8 THE RENEWAL POLICY PREMIUM;

9 (2) TO THE NAMED INSURED AND INSURANCE PRODUCER, IF ANY,
10 A WRITTEN NOTICE OF RENEWAL OR CONTINUATION OF COVERAGE THAT
11 INCLUDES THE RENEWAL OR CONTINUATION PREMIUM; OR

12 (3) TO THE NAMED INSURED AND INSURANCE PRODUCER, IF ANY,
13 A RENEWAL OFFER THAT INCLUDES A REASONABLE ESTIMATE OF THE RENEWAL
14 POLICY PREMIUM.

15 SECTION ~~2~~ 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act
16 shall apply to all policies of commercial insurance and workers' compensation
17 insurance issued, delivered, or renewed in the State on or after October 1, 2009.

18 SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall
19 take effect January 1, 2010.

20 SECTION ~~3~~ 5. AND BE IT FURTHER ENACTED, That, except as provided in
21 Section 4 of this Act, this Act shall take effect October 1, 2009.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.