

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 164

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

Economic Matters

Finance

**Automobile Liability and Homeowner's Insurance - Rating, Retiering, and
Discounts**

This departmental bill prohibits an insurer under a homeowner's policy from classifying or maintaining an insured for more than three years in a classification that entails a higher premium due to a specific claim. The bill prohibits an insurer from reviewing a period beyond the three years prior to the application date or proposed effective date for a new policy – or the effective date of the renewal, for a renewal policy. The removal of, reduction of, or refusal to apply a discount does not violate the bill's provisions if the action results from a claim filed within the preceding five years. An insurer that grants a claim-free discount to an insured under a homeowner's or automobile liability insurance policy does not violate the bill. The bill further prohibits an insurer under personal injury protection coverage from retiering a policy for a claim made under that coverage.

The bill takes effect January 1, 2010.

Fiscal Summary

State Effect: The Maryland Insurance Administration (MIA) can handle the bill's requirements with existing budgeted resources.

Local Effect: The bill does not directly affect local finances or operations.

Small Business Effect: MIA has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: Automobile liability insurers may not cancel, refuse to renew, or otherwise terminate coverage for an automobile insurance risk due to a claim, traffic violation, or traffic accident that occurred more than three years before the effective date of the policy or renewal. Insurers are further prohibited from refusing to underwrite an automobile insurance risk because of a claim, traffic violation, or traffic accident that occurred more than three years before the application date. Likewise, insurers cannot classify or maintain an insured in a classification with a higher premium due to a specific claim or the insured's driving record, for more than three years.

For purposes of determining whether to classify an insured in a classification that results in a higher premium, an insurer may only review a three-year period before (1) the application date or proposed effective date if the policy has not been issued; or (2) the effective date of the renewal, on a renewal policy. The removal of a discount does not violate automobile liability insurance policy rate making provisions relating to the three-year review period.

A homeowner's insurance underwriter may not cancel, refuse to renew, or otherwise terminate coverage for a homeowner's insurance risk due to a claim that occurred more than three years before the effective date of the policy or renewal. Homeowner's insurance underwriters may not refuse to underwrite a homeowner's insurance risk due to a claim that occurred more than three years prior to the application date.

Background: Insurers are prohibited from considering claims, traffic accidents, or violations that are more than three years old when underwriting, cancelling, or nonrenewing insurance policies. However, the Property and Casualty Consumer Complaints Division of MIA often receives complaints from consumers who have been placed in a higher-rated tier for claims or accidents that occurred more than three years prior to the effective date of the policy or renewal.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 2, 2009
ncs/ljm Revised - House Third Reader - March 25, 2009
Revised - Enrolled Bill - May 19, 2009

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Automobile Liability and Homeowner's Insurance – Surcharges,
Retiering, and Removal or Reduction of Discounts

BILL NUMBER: HB 164

PREPARED BY: Maryland Insurance Administration

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.