

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

House Bill 165

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

Economic Matters

Finance

Insurance - Cancellation of Policies - Limitation on Midterm Cancellations

This departmental bill prohibits insurers that write personal, commercial, private passenger motor vehicle, and certain homeowner's insurance policies from cancelling policies midterm except under specified circumstances. The limitation on midterm cancellations does not apply to private passenger motor vehicle liability insurance policies issued by the Maryland Automobile Insurance Fund (MAIF).

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

Bill Summary: Under the bill, an insurer may only cancel a policy midterm in an instance of (1) a material misrepresentation or fraud in connection with the application, policy, or presentation of a claim; (2) a matter related to the risk that constitutes a threat to public safety; (3) a change in the condition of the risk that results in an increase in the hazard insured against; (4) nonpayment of premium; (5) suspension or revocation of a

driver's license or registration of a named insured or covered driver that is related to the driver's record; or (6) an arson conviction, for homeowner's insurance only.

Current Law: A personal or commercial insurer must give notice of its intention to cancel or nonrenew a policy issued in the State, for a reason other than nonpayment of premium, at least 45 days before the policy's expiration or cancellation date. The notice must inform the insured of the right to replace the insurance policy through the Maryland Property Insurance Availability Act, MAIF, or another plan for which the insured may be eligible.

With respect to a private passenger motor vehicle liability insurance policy or a binder that has been in effect for at least 45 days, an insurer may cancel or fail to renew the policy or binder, or reduce coverage under the policy.

Background: MIA historically disallowed midterm cancellations of policies absent compelling reasons, such as a material misrepresentation, change in the condition of the risk insured that increases the hazard insured against, or a matter related to the risk that poses a threat to public safety. However, there is no longer a statutory basis for such a prohibition with respect to private passenger motor vehicle liability insurance.

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
mlm/ljm Revised - House Third Reader - March 19, 2009
Revised - Enrolled Bill - May 19, 2009

Analysis by: Jason F. Weintraub

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

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Insurance – Cancellation of Policies – Limitation on Midterm
Cancellations

BILL NUMBER: HB 165

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.