

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 85

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

Finance

Economic Matters

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Insurance - Notice of Cancellation or Nonrenewal - Mailing Address

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This departmental bill requires insurers that provide personal insurance to send notices of binder or policy cancellation or nonrenewal to the last known mailing address of the named insured. Further, the bill requires insurers that provide commercial property insurance or commercial liability insurance to send notices of binder or policy cancellation during the 45-day underwriting period to the last known mailing address of the named insured.

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Fiscal Summary

**State Effect:** The bill does not directly affect State finances or operations.

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

**Small Business Effect:** The Maryland Insurance Administration (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:** Insurers offering personal 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 the 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 10 days

after mailing for nonpayment and 15 days after mailing if the risk does not meet the underwriting standards of the insurer. The written notice must clearly state the insurer's actual reason for the cancellation. Currently, notice of cancellation must be sent by certificate of mail during the 45-day underwriting period as well as in instances where the cancellation is due to nonpayment of premium.

Further, insurers offering personal insurance may cancel or nonrenew a policy by providing written notice by certificate of mail at least 45 days before a proposed cancellation for a reason other than nonpayment of premium or expiration of a policy. However, written notice has to be provided at least 10 days before a proposed cancellation for nonpayment of premium.

**Background:** Chapter 88 of 2008 codified the requirement that insurers send such notices via certificate of mail. However, MIA's Property and Casualty Consumer Complaints Division has received complaints of companies mailing notices to the insured at an address other than the last known address (*i.e.*, the address provided on the binder or policy application). The bill allows the most appropriate notice to be given to consumers.

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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 - January 19, 2009  
ncs/ljm

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Insurance – Notice of Cancellation or Nonrenewal – Mailing Address

BILL NUMBER: SB 85

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.