

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 256

(Senator Astle)

Finance

Economic Matters

Property and Casualty Insurance - Commercial Policies - Notices of Premium
Increases

This bill exempts insurers from issuing a notice of a policy premium renewal at least 45 days prior to the policy's renewal date if the renewal policy premium is greater than \$1,000 and increases by the lesser of 3% or \$300.

The bill applies to all policies of commercial insurance and workers' compensation insurance issued, delivered, or renewed in the State on or after October 1, 2012.

Fiscal Summary

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

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

Small Business Effect: Minimal.

Analysis

Current Law: Before January 1, 2010, insurers writing commercial and workers' compensation insurance were only required to notify a named insured and insurance producer if a renewal policy premium increased by 20% or more. Currently, however, an insurer seeking to increase a renewal policy premium by any amount for a commercial insurance or workers' compensation insurance policy must send a notice, by first-class mail, to the named insured and insurance producer, if any, at least 45 days prior to the policy's renewal date. The notice must include the expiring policy premium and the renewal policy premium, as well as the telephone number for the insurer or insurance

producer, if any, and a statement informing the policyholder that he or she may call to request additional information about the premium increase. The notice may include the actual renewal policy.

In the event that an insurer is seeking to increase a renewal policy premium and in order to calculate the new premium the insurer's rating methodology requires the insured to provide information the insurer has requested but has yet to receive from the insured, the insurer must instead provide a reasonable estimate based on the information available to the insurer at that time.

The notice requirements described above do not apply to premium increases that occur because of an increase in the units of exposure, the application of an experience rating plan, the application of a retrospective rating plan, a change made by the insured that increases the insurer's exposure, or an audit of the insured. Additionally, the notice requirements do not apply to exempt commercial policyholders that pay aggregate property and casualty premiums of at least \$25,000 per year and meet certain revenue, net worth, employment, or other relevant criteria.

There are also similar notice requirements for health insurance. For group policies, an insurer must mail a notice of renewal to an insured at least 45 days in advance of the renewal. Health maintenance organizations must provide a contract holder, whether an individual or group, with notice of any increase in charges at least 45 days before the change in rate is effective.

Background: For large and small commercial insureds alike, any increase in insurance premiums may significantly impact the finances of the insured. Requiring insurers to provide advance notice of a renewal premium increase of any amount allows commercial insureds to plan ahead, adjust for the increase, or shop for a more competitive policy. The bill authorizes that relatively small increases in policy premiums over \$1,000 would not require a notice to be sent.

The Injured Workers' Insurance Fund (IWIF) administers workers' compensation for the State and provides workers' compensation insurance to firms that are unable to procure insurance in the private market. IWIF advises that a small number of its policies would be exempt from renewal notice under the bill, but that – for consistency and ease of operations – it will continue to give 45 days' notice of premium renewal for all policies.

Additional Information

Prior Introductions: None.

Cross File: HB 876 (Delegate Jameson) – Economic Matters.

Information Source(s): Maryland Insurance Administration, Injured Workers' Insurance Fund, Maryland Automobile Insurance Fund, Subsequent Injury Fund, Uninsured Employers' Fund, Workers' Compensation Commission, Department of Legislative Services

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