

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 1012 (Delegate Rosenberg)
Economic Matters

Homeowner's Insurance and Renter's Insurance - Adjustment and Settlement Practices

This bill expressly prohibits specified practices related to insurance adjusters who handle homeowner's or renter's insurance, specifies that failure to follow these prohibitions constitutes an unfair claim settlement practice, subject to specified penalties and enforcement action by the Maryland Insurance Administration (MIA).

The bill applies to all policies and contracts of homeowner's and renter's insurance issued, delivered, or renewed in the State on or after the bill's October 1, 2015 effective date.

Fiscal Summary

State Effect: MIA special fund revenues may increase minimally due to penalties imposed by MIA. Enforcement of the bill's provisions can be handled with existing budgeted resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill prohibits the following three practices related to insurance adjusters who handle homeowner's or renter's insurance:

- An adjuster who is an employee of an insurer may not represent to an insured that he or she is not acting on behalf of the insurer.

- A public adjuster engaged by an insurer may not represent that he or she is an employee of the insurer if that is not the case.
- The insurer may not misrepresent or allow an adjuster to misrepresent the relationship between the insurer and the adjuster, whether the adjuster is an employee of the insurer or a public adjuster engaged for the claim.

Current Law/Background: An insurance adjuster is an individual who receives compensation for investigating, appraising, evaluating, or otherwise giving advice or help to insureds in the adjustment process for insurance claims. An insurance adjuster decides whether an insurance company is required to pay a claim, and if so, how much.

Insurance Law specifies a variety of activities that constitute an unfair claim settlement practice if performed by an insurer, nonprofit health service plan, or health maintenance organization. They include (1) misrepresenting facts or policy provisions related to the claim or policy at issue; (2) refusing to pay a claim for an arbitrary or capricious reason based on all available information; (3) attempting to settle a claim based on an application that is altered without notice to, or the knowledge or consent of, the insured; (4) failing to include with each claim paid to an insured or beneficiary a statement of the coverage under which the payment is being made; and (5) numerous other activities.

Insurance Law also specifies a variety of activities that, when committed frequently enough to indicate a general practice business, constitute an unfair claim settlement practice. They include (1) misrepresenting facts or policy provisions related to the claim or policy at issue; (2) failing to acknowledge and act with reasonable promptness on communications about claims; (3) failing to adopt and implement reasonable standards for the prompt investigation of claims; (4) refusing to pay a claim without conducting a reasonable investigation based on all the information available; and (5) numerous other activities.

Insurance Law also grants the Insurance Commissioner the authority to impose a specified penalty against insurers, nonprofit health service plans, or health maintenance organizations that commit unfair claim settlement practices. In addition to such a penalty, the Commissioner may require such an insurer, nonprofit health service plan, or health maintenance organization to make restitution to each claimant who has suffered actual economic damages because of the violation.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Insurance Administration, U.S. Bureau of Labor Statistics, Department of Legislative Services

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