

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 470
Finance

(Senator Hester)

Economic Matters

Motor Vehicle and Homeowner's Insurance - Use of Claim History in Rating
Policies

This bill expressly authorizes a private passenger motor vehicle insurer to consider an applicant's homeowner's insurance claim history when *initially* rating a policy, but it prohibits the insurer from increasing the premium at the time of renewal based on a homeowner's insurance claim. Likewise, the bill expressly authorizes a homeowner's insurer to consider an applicant's private passenger motor vehicle insurance claim history when *initially* rating a policy, but it prohibits the insurer from increasing the premium at the time of renewal based on a private passenger motor vehicle insurance claim. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: As the practices addressed under the bill are rare, the bill does not materially affect State operations or finances.

Maryland Automobile Insurance Fund (MAIF) Effect: None. MAIF does not offer homeowner's insurance policies and does not increase premiums based on homeowner's insurance claims.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Certain insurer practices and activities are expressly prohibited and considered, among other things, unfair trade practices, unfair claim settlement practices, or discrimination. For example, an insurer may not cancel, refuse to renew, or otherwise terminate coverage for an automobile insurance policy because of a claim, traffic violation, or traffic accident that occurred more than three years before the effective date of the policy or renewal. Similarly, an insurer may not cancel, refuse to renew, or otherwise terminate coverage for a homeowner's insurance policy because of a claim that occurred more than three years before the effective date of the policy or renewal.

The Insurance Commissioner has general enforcement authority to issue a cease and desist order when a violation is discovered, and penalties are prescribed for different types of violations. Certain activities carry more severe penalties; for example, an insurer may be fined up to \$125,000 for each violation when it fails to act in good faith when settling a first-party claim.

Background: The Maryland Insurance Administration advises that it is aware of one insurer currently using automobile insurance claims as a factor to calculate a policyholder's homeowner's insurance policy.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 431 (Delegate C. Watson, *et al.*) - Economic Matters.

Information Source(s): Maryland Insurance Administration; Maryland Automobile Insurance Fund; Department of Legislative Services

Fiscal Note History: First Reader - February 3, 2020
an/jc Third Reader - March 12, 2020
Revised - Amendment(s) - March 12, 2020

Analysis by: Richard L. Duncan

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