

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 241

(Senator Frosh)

Finance

Insurance – Cancellation or Refusal to Renew Coverage – Claims History

This bill prohibits an insurer that considers claims history from considering an inquiry by a policyholder or insured under a policy that does not result in a claim in deciding whether to cancel or refuse to renew coverage. The bill requires such an insurer to give written notice to a policyholder if another claim filed by the policyholder may cause the insurer to cancel or refuse to renew coverage. The bill prohibits an insurer from considering any claim filed by the policyholder for the purpose of canceling or refusing to renew coverage unless the insurer has complied with the bill's notice requirements before the claim is filed.

Fiscal Summary

State Effect: Special fund revenues could increase minimally in FY 2005 from filing fees. Assuming few complaints are received under the bill, the Maryland Insurance Administration (MIA) could handle any increase in workload with existing resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Generally, an insurer must use standards that are reasonably related to the insurer's economic and business purposes in deciding whether to cancel or refuse to underwrite or renew a particular insurance risk or class of risk. No provision specifically

restricts an insurer from using an inquiry that does not result in a claim in deciding whether to cancel or refuse to renew coverage.

State Revenues: Insurers could incur additional administrative expenses in order to comply with the bill's notice requirements. To the extent that an insurer increases rates to cover these costs, the insurer would be required to file revised rates with MIA and pay the \$125 filing fee. The number of filings under the bill cannot be accurately estimated.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 11, 2004
mam/ljm

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