

**Department of Legislative Services**

Maryland General Assembly

2020 Session

**FISCAL AND POLICY NOTE**

**First Reader**

Senate Bill 50

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

Finance

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**Insurance - Maryland Automobile Insurance Fund - Notice of Cancellation**

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This departmental bill requires the Maryland Automobile Insurance Fund (MAIF) to notify the policyholder in a specified manner when it intends to cancel a policy with an installment payment plan for nonpayment of premium. Specifically, MAIF must send to the policyholder, by a first-class mail tracking method, a written notice of intention to cancel at least 10 days before the proposed cancellation date.

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**Fiscal Summary**

**State Effect:** None.

**MAIF Effect:** MAIF can absorb the cost of complying with the bill. Revenues are not affected.

**Local Effect:** None.

**Small Business Effect:** The Maryland Insurance Administration (MIA) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

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**Analysis**

**Current Law:** Created by the General Assembly in 1972, MAIF is an independent nonbudgeted State agency. Through its Insured Division, MAIF provides automobile liability insurance to residents of the State who are unable to obtain policies in the private

insurance market. MAIF is not in direct competition with the private insurance industry because a customer must generally have been turned down by other insurers (and meet other requirements) in order to obtain a policy with MAIF.

Historically, MAIF had only been authorized to accept policyholders who paid for their policies up front and in full; however, Chapter 334 of 2013 authorized MAIF to accept premiums from its policyholders on an installment payment basis under certain circumstances.

Chapter 334 only requires MAIF to notify an installment plan policyholder of a cancellation for nonpayment of premium *after* the policy has already been cancelled. Both premium finance companies and insurers must notify a policyholder at least 10 days before the proposed effective date of a policy cancellation due to nonpayment of premium. Insurers must send the notice by a first-class mail tracking system, while premium finance companies need only deliver or mail the notice.

**Background:** MIA advises that Chapter 334 should have required MAIF to notify installment plan policyholders before a policy is cancelled. Therefore, the bill requires MAIF to send notice at least 10 days prior to cancellation. In doing so, the bill applies the same timeframe requirement to MAIF that is required of premium finance companies and insurers.

MAIF advises that it already sends intent-to-cancel notices (and sent 1,030 in 2019), but it does so using first-class standard mail instead of the first-class mail tracking required by the bill. Complying with the new method costs MAIF an additional \$1.45 per notice.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - January 7, 2020  
mr/ljm

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TITLE OF BILL: Insurance – Maryland Automobile Insurance Fund – Nonpayment of Premium Cancellation Notice

BILL NUMBER: SB 50

PREPARED BY: Maryland Insurance Administration

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

  X   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

There is no fiscal impact on small business associated with this proposal.