

**Department of Legislative Services**  
Maryland General Assembly  
2014 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 977

(Senator Feldman)

Finance

Economic Matters

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**Property and Casualty Insurance - Notices - Use of First-Class Mail Tracking  
Methods**

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This bill alters the manner in which certain insurers are required to notify an insured of (1) the rescission, cancellation, nonrenewal, or termination of an insurance policy or binder for specified property or casualty insurance; (2) specified information related to homeowner's insurance coverage; and (3) rights, fees, policy alterations, and consent requirements related to portable electronics insurance.

The bill also alters the manner in which an insurer of private passenger motor vehicle liability insurance, excluding the Maryland Automobile Insurance Fund (MAIF), is required to notify an insured of a premium increase.

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**Fiscal Summary**

**State Effect:** The bill does not affect government operations or finances.

**Local Effect:** The bill does not affect local government operations or finances.

**Small Business Effect:** Potential minimal.

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**Analysis**

**Bill Summary/Current Law:** The bill defines "first-class mail tracking method" as a mail tracking method that provides evidence of the date that a piece of first-class mail was accepted for mailing by the United States Postal Service (USPS). This definition includes a certificate of mail and an electronic mail tracking system used by USPS, but it does not include a certificate of bulk mailing.

*Under current law*, the following insurers are required to notify insureds and applicants of specified information and notify insureds when the insurer takes specified actions related to the rescission, cancellation, nonrenewal, or termination of an insurance policy or binder. All of these notices are required to be sent by certificate of mail. *Under the bill*, the notices are required to be sent using a “first-class mail tracking method,” as defined above.

- Insurers of specified personal insurance, commercial property insurance, and commercial liability insurance must send notice to inform an insured of the cancellation, for nonpayment of a premium or otherwise, or rescission of a binder or policy.
- Insurers of specified personal insurance and specified homeowner’s insurance must send notice to inform an insured of the intention to cancel or not renew a policy, for nonpayment of a premium or otherwise.
- Insurers of commercial insurance must send notice to inform an insured of the intention to cancel or not renew a policy, for nonpayment of a premium or otherwise.
- Insurers of homeowner’s insurance must (1) offer in writing to provide coverage for a loss resulting from a water damage caused by a sewer or drain backup and is not caused by the negligence of the insured; (2) provide an applicant with a statement informing the applicant that the policy does not cover losses from flood damage; (3) provide specified information on how an applicant may obtain flood insurance; and (4) provide an applicant with a written list of all additional coverages available from the insurer to the applicant.
- Insurers of portable electronics insurance must provide written notice to insureds concerning rights, fees, policy alterations, and consent requirements related to portable electronics insurance.
- Insurers of specified private passenger motor vehicle liability insurance, excluding MAIF, must send notice to inform an insured of (1) the nonrenewal of a policy as a result of the insurer’s withdrawal from the market; (2) intention to cancel a policy for nonpayment of a premium; (3) other notices of action that do not include the cancellation or nonrenewal of a policy; and (4) specified premium increases for a policy.

Specified notices may meet the bill’s “first-class mail tracking method” requirement by delivering the notice through electronic means in accordance with current law provisions that require the party to have consented to electronic delivery.

**Background:** USPS provides a variety of shipping methods for packages and letters, such as standard mail, priority mail, and first-class mail. Sending a standard letter that weighs approximate 3 ounces (which equals about 15 sheets of standard 8.5 x 11 paper) from Annapolis to Baltimore costs:

- \$2.21 for first-class mail, which includes \$0.91 to mail the letter with an additional \$1.30 to add the certificate of mailing option;
- \$0.49 using standard mail, which cannot add any additional services; and
- \$5.05 for priority mail, which automatically includes mail tracking but does not allow certificate of mailing.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1462 (Delegate Davis) - Rules and Executive Nominations.

**Information Source(s):** Maryland Insurance Administration, Maryland Automobile Insurance Fund, United States Postal Service, Department of Legislative Services

**Fiscal Note History:** First Reader - March 14, 2014  
mc/ljm Revised - Enrolled Bill - May 13, 2014

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