

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

House Bill 647
Economic Matters

(Delegate Lafferty, *et al.*)

Joint Insurance Association - Private Insurers - Notice

This bill requires a private insurer (of commercial property or homeowner's insurance) that denies coverage requested by an applicant or cancels or refuses to renew an existing policy to provide notice to the applicant or insured of the availability of essential insurance through the (1) Joint Insurance Association (JIA) or (2) another plan for which the applicant or insured may be eligible.

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

Fiscal Summary

State Effect: The bill's requirements can be handled with existing budgeted resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law/Background: The Maryland Property Insurance Availability Act provides alternative market mechanisms for certain kinds of insurance. It established JIA, which allows individuals and businesses who are unable to obtain essential property insurance on dwellings, business property, or homes through the competitive property/casualty insurance marketplace to obtain insurance coverage for their properties located within the State. Every applicant is encouraged to seek coverage in the normal marketplace and then

to apply for coverage with JIA through licensed property/casualty insurance producers; however, any applicant may apply directly to JIA for coverage. JIA does not have a rating by any financial rating organization, and all insurers licensed to write property insurance in the State must become a member of JIA.

A person with an insurable interest in real or tangible personal property at a fixed location may apply to JIA for essential property insurance or homeowner's insurance if the person has been (1) unable to obtain essential property or homeowner's insurance; (2) able to obtain only partial coverage for the value of the property; or (3) able to obtain essential property or homeowner's insurance only after applying with a request to pay a larger rate than what is standard.

When an insurer of personal, commercial, or homeowner's insurance sends notice of its intention to cancel or not renew a policy issued in the State for a reason other than nonpayment of a premium, the insurer must provide a specified notice to the insured, informing the insured of the possible right to replace the insurance under the Maryland Property Insurance Availability Act, Maryland Automobile Insurance Fund, or through another plan. Any such notice is not required for policies in effect for 45 days or less.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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