

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1408
Economic Matters

(Delegate McComas)

Finance

Property and Casualty Insurance - Commercial Policies and Workers'
Compensation Insurance Policies - Notices of Premium Increases

This bill exempts a commercial or workers' compensation insurer from being required to send notice to the named insured and insurance producer, if any, when the insurer intends to increase a renewal policy premium, if the renewal policy premium is increasing by 15% or less. The bill specifies that an insurer *may not* be required to comply with the notice requirement if a separate notice containing specified information is sent. The bill also repeals a provision that considers the notice requirement to have been met when an insurer sends this separate notice.

The bill applies to all policies of commercial insurance and workers' compensation insurance issued, delivered, or renewed in the State on or after October 1, 2016.

Fiscal Summary

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

Chesapeake Employers' Insurance Company (Chesapeake) Effect: The bill does not materially affect Chesapeake operations or finances.

Local Effect: The bill does not directly affect local governmental operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill also repeals an exemption from the notice requirement for insurers if the renewal policy premium is greater than \$1,000 and increasing by 3% or \$300, whichever is less.

Current Law: Prior to the enactment of Chapters 472 and 473 of 2012, a commercial or workers' compensation insurer seeking to increase a renewal policy premium by any amount was required to send notice to an insured and insurance producer, if any. Currently, as amended by Chapters 472 and 473, insurers are exempt from sending this notice if the renewal policy premium is greater than \$1,000 and increasing by 3% or \$300, whichever is less.

The notice must be sent by first-class mail, to the named insured and insurance producer, if any, at least 45 days prior to the policy's renewal date. The notice must include the expiring policy premium and the renewal policy premium, as well as the telephone number for the insurer or insurance producer, if any, and a statement informing the policyholder that he or she may call to request additional information about the premium increase. The notice may include the actual renewal policy. An insurer is considered to have met the notice requirement if, at least 45 days before the effective date of the renewal policy premium, the insurer sends the insured and insurance producer, if any, a notice that contains, among other specified information, the renewal policy premium.

The notice requirement described above does not apply to premium increases that occur because of an increase in the units of exposure, the application of an experience rating plan, the application of a retrospective rating plan, a change made by the insured that increases the insurer's exposure, or an audit of the insured. Additionally, the notice requirements do not apply to exempt commercial policyholders that pay aggregate property and casualty premiums of at least \$25,000 per year and meet certain revenue, net worth, employment, or other relevant criteria.

Background: For large and small commercial insureds alike, any increase in insurance premiums may significantly impact the finances of the insured. Requiring insurers to provide advance notice of a renewal premium increase of any amount allows commercial insureds to plan ahead, adjust for the increase, or shop for a more competitive policy.

The Chesapeake Employers' Insurance Company (Chesapeake) administers workers' compensation for the State and provides workers' compensation insurance to firms that are unable to procure insurance in the private market. Chesapeake advises that the bill requires insurers to send the notice for premium increases to a smaller number of insureds and that its finances are not expected to be materially affected by the bill.

Additional Information

Prior Introductions: None.

Cross File: SB 851 (Senator Astle) - Finance.

Information Source(s): Maryland Insurance Administration, Chesapeake Employers' Insurance Company, Department of Legislative Services

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md/ljm

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