

Department of Legislative Services  
Maryland General Assembly  
2017 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

Senate Bill 289

(Senator Middleton, *et al.*)

Finance

Economic Matters

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**Maryland Insurance Administration - Rate Making for Automobile and  
Homeowner's Insurance**

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This bill repeals the requirement that the Insurance Commissioner submit (1) to the Governor and General Assembly, an annual report about the effect of competitive rating on the insurance markets in the State and (2) to the General Assembly, an annual report about the use of territory as a factor in establishing private passenger automobile insurance rates by insurers and the Maryland Automobile Insurance Fund. However, the Maryland Insurance Administration (MIA) must continue to collect (or review) and analyze data relating to (1) the competitiveness of the private passenger automobile insurance and homeowner's insurance markets in the State and (2) the use of territory as a factor in establishing private passenger automobile insurance rates. MIA must notify the Governor and General Assembly if it finds any notable changes. On request, the information collected must be made available through the Public Information Act and other applicable insurance laws.

The bill takes effect July 1, 2017.

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**Fiscal Summary**

**State Effect:** MIA can continue to collect (or review) and analyze the specified data using existing resources and may experience minimal workload efficiencies from no longer having to prepare the reports repealed by the bill. Revenues are not affected.

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

**Small Business Effect:** None.

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## Analysis

**Current Law/Background:** The Insurance Reform Act of 1995 authorized insurers to use rates for certain lines of property and casualty insurance without the prior approval of the Commissioner; this practice is known as competitive rating. Each authorized insurer and rating organization designated by an insurer must submit all rates and supplementary rate information before they become effective, and rates may not be excessive, inadequate, or unfairly discriminatory. In addition, the Commissioner is required to submit a report on the effect of competitive rating on the insurance markets in the State to the Governor and General Assembly by December 1 of each year. MIA's most recent report, released in January 2017, found indicators of a reasonably competitive market for private passenger automobile and homeowner's insurance and stated MIA's plan to continue to monitor both markets for changes in market concentration, competitiveness, and availability.

Chapter 410 of 2006 requires the Insurance Commissioner to submit a report to the General Assembly on or before July 1 of each year about the use of territory as a factor in establishing rates for private passenger automobile insurance by insurers and the Maryland Automobile Insurance Fund. The report must contain information on (1) the number of insurers actively engaged in providing private passenger automobile insurance coverage in the State and (2) the number of insurers that use territory as a factor in establishing private passenger automobile insurance rates. MIA's most recent report, released in July 2016, found that every insurer in the State that provides automobile insurance uses territory as a rating factor.

Under the Public Information Act, each governmental unit that maintains public records must identify a representative who a member of the public may contact to request a public record. The Office of the Attorney General (OAG) must post all such contact information on its website and in any *Public Information Act Manual* published by OAG. Upon request, the public records must be made available in a specified manner.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 1, 2017  
mm/ljm Third Reader - March 22, 2017  
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