

**Department of Legislative Services**  
Maryland General Assembly  
2020 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

Senate Bill 654  
Finance

(Senator Hettleman)

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**Motor Vehicle Liability Insurance - Premium Increases - Consumer Complaints**

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This bill repeals the 30-day time limit for a policyholder to file a protest with the Maryland Insurance Administration (MIA) after receiving notice from a private passenger motor vehicle insurer that the policy's premium is increasing. By December 1 of each year, MIA must report to the General Assembly on (1) the number of protests of motor vehicle liability insurance premium increases received by MIA from consumers in the immediately preceding fiscal year; (2) the insurers that were the subjects of the protests; (3) the nature of the protests; and (4) the administrative and judicial dispositions of the protests.

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**Fiscal Summary**

**State Effect:** MIA special fund expenditures may increase for additional staff depending on the number of additional protests and complaints submitted. MIA can handle the bill's reporting requirements using existing budgeted resources. Revenues are not affected.

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

**Small Business Effect:** Minimal.

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**Analysis**

**Bill Summary/Current Law:** A private passenger motor vehicle liability insurer is authorized to increase the total premium for a policy under certain circumstances. Doing so may take the form of a surcharge for the policy, a reclassification of the insured into a different pricing tier, or the removal or reduction of an existing discount on the policy. Generally, the insurer must notify an insured of any such increase in the total premium for

the policy in a specified manner, including sending a written notice to the insured at least 45 days before the effective date of the increase.

If the insured believes that the premium increase is incorrect, the insured may protest the proposed action of the insurer within 30 days after the mailing date of the notice. To do so, the insured must mail or transmit a copy of the notice to the Insurance Commissioner and include other specified information. The bill repeals the requirement that an insured submit a protest of a premium increase *within 30 days*.

Based on the information contained in the notice, the Insurance Commissioner must determine whether the proposed insurer action is authorized and legal, inform the insurer and insured in a specified manner, hold a hearing under certain conditions if requested, and issue an order within 30 days after the determination is made or after the conclusion of the hearing.

**State Expenditures:** MIA advises that the complaints it receives related to premium increases for private passenger motor vehicle liability insurance policies are typically investigated and closed within 90 days of receipt. MIA is able to handle as many as 4,500 total property and casualty insurance related complaints and protests each year using existing staff while meeting this 90-day goal. When complaint volume exceeds that level, MIA's timeliness is often significantly affected without additional staffing support. Recently, MIA has averaged more than 7,000 property and casualty insurance related complaints each year but has managed to ensure 75% to 85% of those complaints were resolved within 90 days.

The bill's repeal of the time limit for certain consumer protests is likely to increase the total number of protests and complaints MIA receives each year; however, the total increase could vary significantly and cannot be reliably predicted. Depending on the increase and because MIA already receives a significant number of complaints each year, MIA may require additional staff to handle any additional workload. *For contextual purposes*, MIA would likely need an additional analyst (at a cost of more than \$70,000 annually) for every 1,000 additional complaints it receives under the bill.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 1577 (Delegate C. Jackson) - Rules and Executive Nominations.

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

**Fiscal Note History:** First Reader - March 10, 2020  
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