

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 118
Economic Matters

(Delegate Dumais)

Finance

Private Passenger Motor Vehicle Insurance - Prohibition on Cancellation Due to Towing or Emergency Roadside Coverage Claims

This bill prohibits a private passenger motor vehicle insurer from canceling, refusing to renew, or otherwise terminating coverage for a policy because of a claim under the towing or emergency roadside service (ERS) coverage in the policy. However, the bill expressly authorizes such an insurer to (1) remove the towing or ERS coverage from a policy when it is renewed based on the number of towing or ERS claims and (2) increase the premium of a policy as a result of a towing or ERS claim, as specified.

Fiscal Summary

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

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

Small Business Effect: Minimal.

Analysis

Current Law: The Insurance Article expressly prohibits certain insurer practices and activities as unfair trade practices. For example, a private passenger motor vehicle insurer is prohibited from taking specified adverse actions against a policy (such as canceling or refusing to renew the policy) because of a traffic violation or accident that occurred more than three years before the application for an insurance policy or policy renewal.

There are requirements and procedures that must be followed by a private passenger motor vehicle insurer when it proposes to cancel, refuse to renew, reduce coverage for, or increase

the premium of a policy. For example, an insurer may not terminate a policy mid-term, except in limited circumstances (*e.g.*, nonpayment of a premium), and an insurer must send notice to an insured in a specified manner when it proposes to reduce the coverage provided by the policy.

Additionally, when proposing to increase the premium of a policy, an insurer must notify the policyholder of certain information directly related to the premium increase, including the policyholder's rate classification and the factors that may cause or contribute to an increase in the policy's premiums.

Background: The Maryland Insurance Administration (MIA) advises that, for the first time, in 2019 it received several consumer complaints where an insurer had notified a policyholder that it would not be renewing a policy due to the policyholder's use of towing or ERS coverage. MIA advises that this insurer practice is problematic because (1) such claims are often the result of a dead battery, keys locked in the vehicle, a flat tire, or other innocuous events that have no bearing on an insured's driving behavior and (2) a nonrenewal of a motor vehicle liability insurance policy for any reason could cause problems when the policyholder attempts to obtain replacement coverage, either in the form of higher premiums or ineligibility for new coverage.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 125 (Senator Feldman) - Finance.

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

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