

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 272

(Chair, Finance Committee)(By Request - Departmental -
Maryland Insurance Administration)

Finance

Insurance - Claim Payment - Clarification

This departmental bill authorizes the Maryland Insurance Commissioner, instead of or in addition to suspending or revoking a certificate of authority, to require the certificate holder to (1) fulfill the holder's contractual obligations or (2) pay a claim that was denied, in whole or in part, in violation of a provision of the Insurance Article. The bill also authorizes the Commissioner, on finding a violation of unfair claim settlement practices, to require an insurer, nonprofit health service plan, or health maintenance organization (collectively known as carriers) to make a payment that has been denied improperly.

Fiscal Summary

State Effect: The bill does not substantively change State activities or operations.

Local Effect: None.

Small Business Effect: The Maryland Insurance Administration has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law: An insurer must apply for a certificate of authority issued by the Commissioner in order to engage in the insurance business in Maryland. Subject to hearing provisions, the Commissioner may refuse to renew, suspend, or revoke a certificate of authority for 15 specified grounds, including violating provisions of the Insurance Article.

Instead of or in addition to suspending or revoking a certificate of authority, the Commissioner may impose a penalty of at least \$100 and up to \$125,000 for each violation of the Insurance Article and require the holder to make restitution to any person who has suffered financial injury because of the violation.

On a finding of a violation of Title 27, Subtitle 3 of the Insurance Article (unfair claim settlement practices), the Commissioner may impose specified penalties and require a carrier to make restitution to each claimant who has suffered actual economic damage because of the violation.

Under §§ 15-10A-04 and 15-10D-03 of the Insurance Article (adverse decisions, grievance decisions, coverage decisions, and appeal decisions), if a carrier fails to fulfill the carrier's obligations to provide or reimburse for health care services specified in the carrier's policies or contracts, the Commissioner may impose a fine or penalty *or* require the carrier to fulfill the carrier's contractual obligations, provide a health care service or payment that has been denied improperly, or take appropriate steps to restore the carrier's ability to provide a health care service or payment that is provided under a contract.

Background: The bill is intended to clarify the regulatory authority of the Commissioner to require that insurers reprocess improperly denied claims in accordance with their insureds' contracts and applicable law. The clarification mirrors the Commissioner's existing authority relating to actions against carriers regarding adverse decisions, grievance decisions, coverage decisions, and appeal decisions.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History: First Reader - January 12, 2021
rh/ljm

Analysis by: Jennifer B. Chasse

Direct Inquiries to:
(410) 946-5510
(301) 970-5510

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Insurance – Claim Payment - Clarification

BILL NUMBER: SB 272

PREPARED BY: Maryland Insurance Administration

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

 X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

 WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

There is no economic impact on small business associated with this proposal.