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**TESTIMONY OF  
THE  
MARYLAND INSURANCE ADMINISTRATION  
BEFORE THE SENATE FINANCE COMMITTEE  
MARCH 4, 2020**

**SENATE BILL 801 – CIVIL ACTION - SURETY INSURANCE FAILURE TO ACT IN GOOD FAITH**

**POSITION: OPPOSE**

Thank you for the opportunity to provide written testimony in opposition to Senate Bill 801. Senate Bill 801 will expand the scope of Section 27-1001 and the Unfair Claims Settlement Practices Act (“UCSPA”) to include surety claim matters. This would mark the first time that Maryland insurance law would impose a duty of good faith upon an insurer with respect to a claimant that is not a party to the insurance contract. This is a significant change in public policy that will not be without unintended consequences in the marketplace.

The specific exemption of surety claim disputes from the Maryland Insurance Administration’s (“MIA”) regulatory authority under the UCSPA has been in place for over 25 years. Maryland’s UCSPA closely follows the National Association of Insurance Commissioner’s (“NAIC”) model act, which exempts surety claim matters, workers compensation claims and reinsurance claims. Each of these lines of business are exempt from regulatory authority under the UCSPA for good reason. Workers compensation claims are subject to the authority of Maryland’s Workers Compensation Commission. Reinsurance claims involve complex contracts between sophisticated parties (insurers on both sides) that do not require MIA oversight. Surety bonds are three-party instruments that are not based on the legal liability or negligence of the bond purchaser for damages as with insurance policies in all other lines of property and casualty business.

Extending the authority of the MIA under the UCSPA and § 27-1001 to include surety claim disputes may be perceived by property and casualty insurers as a first step in the direction of recognizing direct causes of action against insurers by third parties. This is likely to result in a shrinking appetite for risk in Maryland by current licensees and will hamper the MIA’s efforts to both encourage current licensees to expand their offerings in the State and to bring new insurers to our market. For these reasons and others, the MIA opposes Senate Bill 801 and urges an unfavorable report.