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## **BULLETIN 02-17**

**TO:** All Property and Casualty Insurers

**RE:** Motor Vehicle Liability Insurance - Notices of Cancellation, Nonrenewal, Premium Increase, and Reduction in Coverage

**DATE:** August 9, 2002

During the 2002 Session, the Maryland General Assembly enacted House Bill 1002 (Chapter 553, Acts of 2002), which made changes to the requirements and procedures regarding a cancellation, nonrenewal, increase in premium, or reduction of coverage with respect to a policy of motor vehicle liability insurance.

The Insurance Administration has received numerous questions regarding the interpretation and implementation of House Bill 1002. The attached document provides answers to those questions as well as guidance for insurers on actions that they must take to comply with House Bill 1002.

If you have any further questions regarding the interpretation and implementation of House Bill 1002, please contact Robert Becker, Associate Commissioner, Property and Casualty, at 410-468-2301.

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Robert J. Becker  
Associate Commissioner  
Property and Casualty

# MARYLAND INSURANCE ADMINISTRATION

## IMPLEMENTATION OF HOUSE BILL 1002

### **Statement of Rate Classifications - 11-317 (page 3, lines 2 – 34 and page 4, lines 1 – 2)**

The statement is expanded to include a general description of the factors that may cause or contribute to an increase in a premium for a policy of private passenger motor vehicle insurance.

#### Required Action by Insurers:

- Insurers must revise their statements of rate classifications and file the revised statements with the MIA.
- In order to allow for review before January 1, 2002, an insurer must file its revised statement of rate classifications with the MIA by October 1, 2002.

### **Payment Plan – 27-501(e-1) (page 4, lines 10 – 13)**

This provision prohibits an insurer from requiring a particular payment plan for an insured for coverage under a private passenger or homeowner's insurance policy based on the credit history of the insured.

### **Contents of Notice - 27-605(c)(3)(i) (page 5, lines 24 – 33)**

The enrolled bill goes back to the language of the current law – it requires the notice to state the amount of the increase and the type of coverage to which it is applicable.

#### Question:

- Is the notice required to state the dollar amount of the premium increase for each coverage or may the notice state the dollar amount of the premium increase for the entire policy and the coverages to which the premium increase applies without stating a dollar amount for each coverage?

#### MIA Position:

- The notice must state the dollar amount of the premium increase for each coverage and the dollar amount of the premium increase for the entire policy.

#### Question:

- To what figure should the premium increase be compared to determine the amount and percentage of the increase?

#### MIA Position:

- The premium increase should be compared to the amount of premium after any general rate increase applicable to the upcoming term of the policy has been applied.

Question:

- What information is a notice required to contain if part of a premium increase is subject to the notice requirement and part is not subject to the notice requirement?

MIA Position:

- The notice should state the amount and percentage of the premium increase that is subject to the notice requirement.

Question:

- Is the notice required to state the percentage of premium increase for the entire policy, or may the notice state that the increase is “15% or less” or “greater than 15%”?

MIA Position:

- The notice must state the percentage of premium increase.

Question:

- What type of support will the MIA require from insurers when an insured protests a premium increase?

MIA Position:

- Consistent with current practice, insurers should be prepared to provide a rate order of calculation on request of the MIA.

Question:

- If an insurer increases a premium for more than one reason, may the insurer issue a separate notice for the amount of the premium increase that is attributable to each reason?

MIA Position:

- No, the entire premium increase must be included on one notice. The MIA’s prior proposal provided for separate notices for surcharges and other types of premium increases because the law provided different procedural rights for surcharges than for other types of premium increases. Since the law no longer distinguishes between surcharges and other types of premium increases, there is no longer any reason for separate notices.

**Hearings – 27-605(c)(3)(vi) (page 6, lines 13 – 19) / 27-605(g)(4) (page 8, lines 26 – 33)**

These provisions state that, except in the case of a premium increase of 15% or less for the entire policy, an insured who protests a proposed action may request a hearing.

**Stay – 27-605(c)(3)(vii) (page 6, lines 20 – 24) / 27-605(f)(4) and (5) (page 8, lines 3 – 10)**

These provisions state that, except in the case of a premium increase of 15% or less for the entire policy, the filing of a protest stays the proposed action of the insurer.

**FCRA Notice - 27-605(c)(3)(ix) (page 6, lines 28 – 37 and page 7, lines 1 – 8)**

This provision requires an insurer that takes adverse action at renewal based on credit history to include the FCRA language in the notice.

Question:

- What is the status of this language in light of the enactment of House Bill 521?

MIA Position:

- This language has been superseded by House Bill 521, which prohibits an insurer from taking adverse action at renewal based on credit history. Consequently, this requirement no longer serves any purpose and will not be enforced.

**Return of Disallowed Premium Increase – 27-605(j) (page 9, lines 20 – 32)**

This provision states that, if the Commissioner disallows a premium increase of 15% or less for the entire policy, the insurer shall return the disallowed premium and pay interest at 10% per annum. If an insurer fails to return any disallowed premium or pay interest, the insurer is in violation of the Insurance Article and subject to the penalties under §4-113(d) of the Insurance Article.

**Adoption of Regulations - 27-605(l) (page 10, lines 1 – 13)**

This provision authorizes the Commissioner to adopt regulations that exclude certain types of premium increases from the notice requirement.

Question:

- Does the MIA intend to adopt regulations to exclude certain types of premium increases from the notice requirement?

MIA Position:

- Yes, the MIA will adopt regulations to exclude certain types of premium increase from the notice requirement. The proposed regulations are scheduled to be published in the August 9, 2002 issue of the *Maryland Register*.

**Study of Internal Grievance Process – Section 3 (page 13, lines 18 – 34 and page 14, lines 1-9)**

This provision requires the MIA to conduct a study regarding the feasibility of establishing an internal grievance process for the resolution of complaints regarding premium increases for private passenger auto insurance. Recommendations are due on or before December 15, 2002.

**Effective Date – Section 2 (page 13, lines 14 – 17) / Section 4 (page 14, lines 10 – 14)**

The bill is effective October 1, 2002 and applies to all adverse actions that are effective on or after January 1, 2003.