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BULLETIN 02-8

To: Property & Casualty Insurance Companies

Re: Notice of Premium Increase Pursuant to §27-604 of the Insurance Article

Date: April 19, 2002

The number of complaints received by the Insurance Administration regarding commercial insurance policies has increased significantly over the past six months. While this increase in complaints has occurred in all lines of businesses, the most dramatic has been for workers' compensation, commercial automobile and commercial property policies. These complaints include concerns with premium increases.

Section 27-604 (b) and (c) of the Insurance Article, specifically provides that:

(b) *Notice required.* – Whenever an insurer intends to increase a premium for a particular policy written in the State by 20% or more, the insurer shall notify the insured and insurance producer of the increase.

(c) *Time and manner of notice.* – The notice shall be sent by first-class mail to the insured and insurance producer at least 45 days before the effective date of the proposed premium increase.

It has come to the attention of the Maryland Insurance Administration that many notices issued by insurers are not in compliance with §27-604 of the Insurance Article. These notices do not contain the amount of the increase or even a reasonable estimate of the percentage amount of the increase. All increases in premiums must be in compliance with the insurer's rate filing, as well as with statutes, regulations and bulletins of the Administration. When insurers attempt to increase premiums, the files should contain relevant documentation to justify any changes made, such as the removal of credits or addition of debits. The documentation may include inspection reports, loss control reports, photographs, etc.

It is the position of the Maryland Insurance Administration that in order to be in compliance with §27-604 of the Insurance Article, insurers should indicate on the notice the premium charged for the expiring policy, the premium to be charged for the renewal, and the difference, which is the amount of the increase. In addition, all premium increases must be in accordance with the insurer's filed rating plan. (See §§ 11-230, 11-341 and 27-216 of the Insurance Article.)

The Administration will continue to direct insurers to remove the increases and issue orders with penalties on individual complaints if a determination is made that a violation has occurred. In addition, the complaint section will refer cases to the market conduct section for their review.

If you have any questions regarding this Bulletin, please contact Sandra Castagna at 410-468-2341.

Steven B. Larsen
Commissioner