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Bulletin 03-8

To: All Property & Casualty Insurers

RE: §27-605 Notices of Cancellation, Nonrenewal, Premium Increase and Reduction in Coverage for Private Passenger Automobile Policies – Compliance with COMAR 31.08.03.09.

Date: May 29, 2003

The Maryland Insurance Administration has recently determined that a number of insurers are sending notices of cancellation, nonrenewal, premium increase and reduction in coverage for private passenger automobile policies that do not comply with § 27-605(c)(4) of the Insurance Article and COMAR 31.08.03.09. **[Notices of premium increase include notices for increase in the premium due to 1) a surcharge; 2) retiering or other reclassification of an insured; or 3) the removal or reduction of a discount.]** The full text of the statute can be found by going to www.mlis.state.md.us, and the full text of COMAR may be found by going to www.dsd.state.md.us. Section 27-605 of the Insurance Article requires that companies provide written notice of the “actual reason” for the proposed action in clear and specific language that is understandable to a person of average intelligence. COMAR 31.08.03.09 provides if the cancellation, nonrenewal, premium increase or reduction in coverage is in whole or in part due to an accident or violation, certain specific information must be contained in the notice. This information is as follows:

1. Date of the accident or violation.
2. If known, the name of the driver of the insured vehicle who was involved in the accident or violation.
3. In the case of an accident –
 - a) A description of the accident;
 - b) Whether it is an at-fault or not-at-fault accident;
 - c) The type of coverage involved;
 - d) The amount of any property damage loss caused by the accident; and
 - e) Whether the accident involved a bodily injury loss.

4. In the case of a violation -
 - a) The nature of the violation; and
 - b) The State whose vehicle law was violated.

A. The following are examples of notices that comply with COMAR 31.08.03.09.

1. On January 1, 2003, John Smith backed into a parked vehicle. Mr. Smith was at fault. The company paid \$545.15 in property damage. The accident did not involve a bodily injury loss.
2. On January 9, 2003, Jane Doe received a speeding violation for going 10 miles over the speed limit in Maryland.
3. Renewing in the special program. Exceeds underwriting standards for the super-preferred program which does not allow for any at fault accidents or convictions per our filed guidelines. The rates we have in the super-preferred program do not anticipate the activity present. Continuing in the super preferred program would not serve our business and economic purpose. John Smith has 5-8-01 seat belt violation in Maryland, 2-23-02 speed violation in Maryland. Jane Smith's at fault accident on March 1, 2002, where she struck a wall, \$12,299.14 collision paid. No bodily injury loss involved.
4. John Smith's 9-6-01 at fault accident where insured vehicle rearended claimants vehicle \$1224.20 property damage & \$7000 bodily injury tort.
5. John Smith had an at fault accident 10/11/2002, insured vehicle struck claimant vehicle. The renewal premium also includes a state approved general rate increase. Amount of damage – Property Damage/\$4108, Collision/\$4726; Bodily Injury/\$0.
6. Your premium has increased due to the at-fault accident for Jane Doe on 07/30/02: The insured vehicle backed into the other vehicle. Property Damage liability \$328 paid. No Bodily injury loss.
7. As part of our standard underwriting practice, we analyze risk characteristics to ensure that your policy is properly rated and underwritten. We noted the following information has been added to your policy since our last review: On 08/17/02 Jane Doe had an at fault accident while she was driving and collided with another vehicle resulting in a Property Damage Liability payment of \$2,811.48. No bodily injury loss.

B. The following examples of notices (which have been taken from the actual language in the protests filed with the Administration) do not comply with COMAR 31.08.03.09. In addition, several of these notices do not comply with §27-605(c)(4) of the Insurance Article due to the fact that they contain abbreviations that are not clear and specific and are not understandable to the person of average intelligence. The missing information is identified in the parenthesis.

1. John Smith had an accident on January 1, 2003. (No description; does not identify whether at-fault or not-at-fault; no type of coverage listed; no payment amount; does not state whether bodily injury loss was involved).
2. Jane Doe received a ticket on January 1, 2003. (No type of violation or State listed).
3. John Smith had an at-fault accident which required the company to pay \$858.16 under the bodily injury, property damage or collision coverage of the policy. (Specific coverage not identified; no description.)
4. Your policy no longer qualifies for the preferred advantage discount due to Jane Doe's 06/13/01 speeding violation. (Does not indicate State.)
5. 10/30/02 Accident collision over \$400. John Doe rear-ended other vehicle. (Does not provide exact amount paid; does not state at-fault or not-at-fault; does not indicate if bodily injury loss was involved.)
6. Jane Doe pulled into path of CV. DOL: 9/11/02 Amount: \$790 Coll. \$593 PDL. (Does not state at fault; uses abbreviations that are unclear.)
7. Premium increase includes a change in tier. (Do not know what caused tier change.)
8. An at fault loss for Jane Doe on 3/14/02 that involved property damage over \$500.00 SDI surcharge. (No description, no bodily injury, do not know actual amount paid; uses abbreviations.)
9. The violation for John Smith 3-10-01 and 7-21-01 speeding violation where the premium shown include a surcharge for Jane Smith for her 3-31-02 accident. (Does not state whether at-fault or not-at-fault accident; no payout; no description; State for both violations not included; type of violation for 3-10-01 not indicated; does not state whether bodily injury loss was involved.)
10. John Smith's accident on 8/31/02 which caused \$2,408.26 in property damage and \$5,600 in bodily injury (No description; does not indicate whether at-fault or not-at-fault.)
11. Loss of accident free discount due to 06/21/02 accident. (Do not know who had the accident', no description; no payout; type of coverage not identified; does not indicate whether at-fault or not-at-fault; does not state whether bodily injury was involved.)
12. Our underwriting guidelines only permit one at-fault accident per operator within three years. This policy has an operator, John Smith who has been involved in two at-fault accidents within three years. His at-fault accident on 5-17-02, in which he backed into another vehicle the total amount of paid damages were \$1,569.00 His at-fault accident on 12-17-02, in which he improperly changes lanes and struck another vehicle. The total amount of paid damages were \$1458.00. For this reason, we are unable to continue coverage due to the

increased likelihood that further losses will occur. (Does not indicate type of coverages and whether bodily injury loss was involved.)

13. John Smith (Accident 120802) the chargeable accident which resulted in a claim of \$1,668.00 paid under the bodily injury, property damage or collision coverages of your policy. (Do not know which coverage was involved; no description; does not indicate whether at-fault or not-at-fault.)

C. The Administration has also determined that some companies are sending notices that do not comply with §27-605(c)(4) of the Insurance Article in that they do not provide the actual reason for the proposed action or the language contained in the notice is not sufficiently clear and specific so that it can be understood by a person of average intelligence. The primary example of this is notices that state “Reclassification due to age, mileage or usage.” The companies are not identifying the specific reason for the increase. This is prohibited by the statute.

D. In addition, some insurers are listing the name and address of the insurance group instead of the name of the insurer that issued the policy. The notices must specifically state the name and address of the insurer that issued the policy. Use of a group name on the notice is not sufficient.

Companies must revise the content of their notices immediately. Please note that the Regulations allow the companies to use attachments to provide a more detailed explanation, provided that the notices clearly indicate that the reason is contained on an attachment. In cases where a protest is filed with the Administration and the notice is not compliant with §27-605(4) of the Insurance Article and COMAR 31.08.03.09, the companies will not be permitted to take the proposed action. Any notices that are found to be noncompliant after August 1, 2003, may subject the company to additional administrative action.

Items A, B & C above are merely examples of defective notices that the Administration has identified. It is not intended as an exhaustive list of all violations of §27-605 of the Insurance Article or COMAR 31.08.03.09.

If you have any questions regarding the information provided in this bulletin or the steps required for compliance, contact Sandee Castagna at 410-468-2341; by e-mail at scastagna@mdinsurance.state.md.us or Dudley Ewen at 410-468-2321; by e-mail at dewen@mdinsurance.state.md.us.

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