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Bulletin 20-28

DATE: July 2, 2020

TO: All Property & Casualty Insurers and Producers; the Maryland Automobile Insurance Fund; the Chesapeake Employers Insurance Company; All Premium Finance Companies

RE: Cancellation of Property & Casualty insurance policies due to non-payment of premium during the COVID-19 State of Emergency

On March 5, 2020, Governor Lawrence J. Hogan, Jr. declared a State of Emergency in recognition of, and in response to, the impact of the COVID-19 pandemic in our State.

Recognizing that the pandemic could impact the ability of some property and casualty policyholders to timely pay premium, on March 20, 2020, the Administration issued Bulletin #20-10 encouraging all property and casualty insurers doing business in the State to make reasonable accommodations in policy payment terms, so that individuals and businesses adversely impacted by the pandemic would not lose coverage due to non-payment of premium. We are aware that most admitted insurers heeded this request and have taken steps, including voluntary suspensions of non-payment cancellations, deferred billings, and payment plans, to assist Maryland property and casualty policyholders unable to meet premium payment obligations to nonetheless keep their coverages in force for a reasonable period of time. With respect to some lines of business, such as automobile insurance, premium payment accommodations have dovetailed with premium credits and refunds reflecting initial projections and analysis of the impact of reduced travel and use on loss experience.

The Administration appreciates the voluntary efforts that the carriers in the State have made. We also recognize that insurers cannot, consistent with sound economic considerations and solvency, provide coverage without collecting premium for an indefinite period of time. Each insurer that has deferred cancellations or otherwise extended payment accommodations faces its own unique set of COVID-19 related financial challenges, as well as the economic considerations that all insurers must be mindful of including: line(s) of business written; capital, surplus and RBC levels; losses and expenses; reinsurance requirements; and, investment results. Consequently, the Administration has not issued, and does not (at this time) plan to issue, orders

compelling property and casualty insurers to continue to maintain policies in force indefinitely without payment of premium.

However, the Administration will carefully monitor the impact of COVID-19 on policy cancellations, as well as the accommodations that have been and are being made by insurers to mitigate cancellations. To that end, the Administration will be requiring each property and casualty insurer holding a certificate of authority in the State, as well as the Maryland Automobile Insurance Fund and the Chesapeake Employers Insurance Company, to make an informational filing in SERFF with the details of its COVID-19 response efforts. Specific information regarding the parameters of the informational filing will be provided in an upcoming Bulletin.

In addition, and in response to requests for guidance by property and casualty insurers that have deferred cancellation and/or premium collection, the Administration provides the following guidance to insurers with respect to the resumption of non-payment cancellations of property and casualty insurance policies in Maryland:

1. All existing legal requirements for advance notification, mailing method and content of such notices are in effect;
2. An insurer may not cancel a current policy term as a result of a past due amount from a prior term;
3. Payments received from insureds that are in arrears should be applied to the current policy period before being applied to a prior term's premium due;

The Maryland Insurance Administration encourages all insurers to continue to provide assistance to policyholders to the greatest extent possible while maintaining prudent fiscal practices in these difficult economic times. Please contact Robert Baron, Associate Commissioner for Property & Casualty (Robert.Baron@Maryland.gov) with any questions concerning this Bulletin.

Kathleen A. Birrane
Commissioner

signature on original

By

Robert Baron
Associate Commissioner
Property and Casualty