

**PROGRAM DIVISION
BULLETIN**

2002-20

November 14, 2002

MARYLAND: *Commercial Property and Casualty*

Notices of Premium Increase for Commercial Policies of 20% or More

The Maryland Insurance Administration has announced that **they have received an increase in complaints** concerning premium increases on commercial insurance policies. It has come to the Administration's attention that many notices issued by insurers are not in compliance with §27-604, Notice of Premium Increase of 20% or More, of the Insurance Article. Subsections (b) and (c) of §27-604 provide that:

- **Whenever an insurer intends to increase a premium for a particular policy by 20% or more, the insurer must notify the insured and producer of the increase.**
- **The notice must be sent by first-class mail at least forty-five (45) days before the effective date of the proposed premium increase.**

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

- ◆ Indicate on the notice the premium charged for the expiring policy, the renewal premium, and the amount of the increase; and
- ◆ Ensure that the premium increase is in accordance with the insurer's filed rating plan.

If a determination is made that a violation has occurred, the Administration will direct insurers to remove the increases and issue orders with penalties on individual complaints. In addition, the

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Department's complaint section will refer cases to the market conduct section for further review. §27-604 does not apply to the following business lines: a) life insurance; b) health insurance; c) private passenger motor vehicle; d) surety insurance; e) motor vehicle insurance written through the Maryland Automobile Insurance Fund; or f) a policy or business line for which the insurer satisfies the Department that it cannot reasonably comply with the notice requirement.

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