
By: **Chairman, Economic Matters Committee (By Request - Departmental -
Insurance Administration, Maryland)**

Introduced and read first time: February 8, 2005

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance - Ownership of Expirations by Insurance Producers**

3 FOR the purpose of clarifying that certain insurance producers retain ownership
4 rights in certain policy expirations after the termination of an agency
5 agreement; defining a certain term; and generally relating to insurance
6 producers.

7 BY repealing and reenacting, with amendments,
8 Article - Insurance
9 Section 27-503
10 Annotated Code of Maryland
11 (2002 Replacement Volume and 2004 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
13 MARYLAND, That the Laws of Maryland read as follows:

14 **Article - Insurance**

15 27-503.

16 (A) (1) IN THIS SECTION, "BUSINESS" MEANS INFORMATION USED TO
17 SECURE A QUOTATION FOR THE ISSUANCE OR RENEWAL OF COVERAGE UNDER A
18 POLICY OF INSURANCE OR TO PROCESS THE ISSUANCE OF AN ORIGINAL OR
19 RENEWAL POLICY.

20 (2) "BUSINESS" INCLUDES RECORDS RELATING TO THE APPLICATION,
21 THE ISSUANCE OF THE POLICY, THE DATE OF THE POLICY EXPIRATION, THE AMOUNT
22 OF THE PREMIUM, THE RISKS AND PERILS INSURED, AND THE TERMS AND
23 CONDITIONS OF THE COVERAGE.

24 [(a)] (B) An insurer may not cancel a written agreement with an insurance
25 producer about insurance or refuse to accept insurance business from the insurance
26 producer unless the insurer complies with this section.

27 [(b)] (C) (1) This subsection does not apply to:

1 (i) policies of life insurance, health insurance, surety insurance,
2 wet marine and transportation insurance, and title insurance; [or]

3 (II) INSURANCE PRODUCERS OR POLICIES OF A COMPANY OR
4 GROUP OF COMPANIES REPRESENTED BY INSURANCE PRODUCERS WHO ARE
5 EMPLOYEES OF THE COMPANY OR ONE OF THE COMPANIES WITHIN THE GROUP OF
6 COMPANIES IF THE TERMINATION OF EMPLOYMENT DOES NOT RESULT IN THE
7 CANCELLATION OR REFUSAL TO RENEW ANY POLICIES; OR

8 [(ii)] (III) insurance producers or policies of a company or group of
9 companies represented by insurance producers who ARE NOT EMPLOYEES OF THE
10 COMPANY OR ONE OF THE COMPANIES WITHIN THE GROUP OF COMPANIES BUT WHO
11 by contractual agreement represent only that company or group of companies if:

12 1. [the business is owned by the company or group of
13 companies; and] THE INSURANCE PRODUCER HAS NO ECONOMIC INTEREST IN THE
14 BUSINESS;

15 2. THE INSURANCE PRODUCER HAS NO RIGHT, EVEN WITH
16 THE CONSENT OF THE COMPANY, TO TRANSFER OR SEEK TO TRANSFER THE
17 BUSINESS OR ANY INTEREST IN THE BUSINESS TO A THIRD PARTY FOR FINANCIAL
18 CONSIDERATION; AND

19 [2.] 3. the cancellation of any contractual agreement
20 BETWEEN THE COMPANY OR GROUP OF COMPANIES AND THE INSURANCE
21 PRODUCER does not result in the cancellation or refusal to renew any policies.

22 (2) If an insurer intends to cancel a written agreement with an insurance
23 producer or intends to refuse a class of renewal business from an insurance producer,
24 the insurer shall give the insurance producer at least 90 days' written notice.

25 (3) Notwithstanding any provision of the agreement to the contrary, the
26 insurer shall continue for at least 2 years after termination of the agency agreement
27 to renew through the insurance producer any of the policies that have not been
28 replaced with other insurers as expirations occur.

29 [(c)] (D) An insurer may not cancel or refuse to renew a policy of the insured
30 because of the termination of the insurance producer's contract.

31 [(d)] (E) Notwithstanding any other provision of this section, an insurer may
32 not cancel or amend a written agreement with an insurance producer or refuse to
33 accept business from the insurance producer if the cancellation, amendment, or
34 refusal is arbitrary, capricious, unfair, or discriminatory or is based wholly or partly
35 on the race, creed, color, sex, religion, national origin, or place of residency of the
36 insurance producer or the applicants or policyholders of the insurance producer.

37 [(e)] (F) If an insurer or insurance producer that accepts business from an
38 insurance producer acting on behalf of an insured or prospective insured rejects the
39 business of an insurance producer acting on behalf of an insured or prospective
40 insured, the insurer or insurance producer shall give to the Commissioner and the

1 insurance producer acting on behalf of an insured or prospective insured, on request
2 of that insurance producer, the reasons for the rejection in writing.

3 [(f)] (G) An insurer may not cancel or amend a written agreement with an
4 insurance producer about property insurance or casualty insurance because of an
5 adverse loss ratio experience on the insurance producer's book of business if:

6 (1) the insurer required the insurance producer to submit the application
7 for underwriting approval, all material information on the application was completed,
8 and the insurance producer did not omit or alter any information provided by the
9 applicant; or

10 (2) the insurer accepted, without prior approval, policies issued by the
11 insurance producer, if all material information on the application for the policy or on
12 the insurer's copy of any policy issued by the insurance producer was completed and
13 the insurance producer did not omit or alter any information provided by the
14 applicant.

15 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
16 effect October 1, 2005.