

ENROLLED BILL
-- Economic Matters/Finance --

Introduced by **Delegate Jennings**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 **Private Passenger Motor Vehicle Insurance and Homeowner's Insurance -**
3 **Underwriting Standards and Requirements - Active Duty Military Personnel**
4 **Returning from Overseas**

5 FOR the purpose of prohibiting an insurer, except under certain circumstances, from
6 denying, refusing to renew, or cancelling coverage or increasing rates with
7 respect to private passenger motor vehicle insurance for certain military
8 personnel because they fail to meet underwriting standards that require
9 continuous coverage; prohibiting an insurer, except under certain circumstances,
10 from denying, refusing to renew, or canceling coverage or increasing rates with
11 respect to homeowner's insurance for certain military personnel because they fail
12 to meet underwriting standards that require continuous coverage; prohibiting an
13 insurer from denying, refusing to renew, or canceling coverage or increasing rates
14 with respect to homeowner's insurance for certain military personnel because
15 they fail to meet occupancy requirements under certain circumstances; clarifying
16 the applicability of certain standards related to an insurer's economic and
17 business purposes; and generally relating to underwriting standards for private

1 passenger motor vehicle insurance and underwriting standards and
 2 requirements for homeowner's insurance.

3 BY repealing and reenacting, without amendments,
 4 Article - Insurance
 5 Section 27-501(a)
 6 Annotated Code of Maryland
 7 (2002 Replacement Volume and 2004 Supplement)
 8 (As enacted by Chapter 5 of the Acts of the General Assembly of the 2004 Special
 9 Session)

10 BY repealing and reenacting, with amendments,
 11 Article - Insurance
 12 Section ~~27-501(i)(i)~~ 27-501(j)(1) and (l)(1)
 13 Annotated Code of Maryland
 14 (2002 Replacement Volume and 2004 Supplement)

15 BY adding to
 16 Article - Insurance
 17 Section 27-501(o)
 18 Annotated Code of Maryland
 19 (2002 Replacement Volume and 2004 Supplement)

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

22 **Article - Insurance**

23 27-501.

24 (a) (1) An insurer or insurance producer may not cancel or refuse to
 25 underwrite or renew a particular insurance risk or class of risk for a reason based
 26 wholly or partly on race, color, creed, sex, or blindness of an applicant or policyholder
 27 or for any arbitrary, capricious, or unfairly discriminatory reason.

28 (2) (i) This paragraph does not apply to a medical professional liability
 29 insurer or insurance producer that issues or delivers a policy in the State to a health
 30 care provider who has been licensed for more than 3 years by the appropriate State
 31 licensing board for the health care provider.

32 (ii) Except as provided in this section, an insurer or insurance
 33 producer may not cancel or refuse to underwrite or renew a particular insurance risk
 34 or class of risk except by the application of standards that are reasonably related to
 35 the insurer's economic and business purposes.

1 (j) (1) In the case of homeowner's insurance, standards reasonably related to
 2 an insurer's economic and business purpose under subsection (a)(2) of this section,
 3 include, but are not limited to, the following and do not require statistical validation:

4 (i) a material misrepresentation in connection with the application,
 5 policy, or presentation of a claim;

6 (ii) nonpayment of premium;

7 (iii) a change in the physical condition or contents of the premises or
 8 dwelling which results in an increase in a hazard insured against and which, if
 9 present and known to the insurer prior to the issuance of the policy, the insurer would
 10 not have issued the policy;

11 (iv) conviction:

12 1. within the preceding 5-year period, of arson; or

13 2. within the preceding 3-year period, of a crime which
 14 directly increases the hazard insured against;

15 (v) subject to subsection (i) of this section, the claims history of the
 16 insured where the insured makes more than three claims in the preceding 3-year
 17 period;

18 (vi) SUBJECT TO SUBSECTION (O)(2) OF THIS SECTION, any other
 19 standard approved by the Commissioner that is based on factors that adversely affect
 20 the losses or expenses of the insurer under its approved rating plan and for which
 21 statistical validation is unavailable or is unduly burdensome to produce; and

22 (vii) SUBJECT TO SUBSECTION (O)(2) OF THIS SECTION, any other
 23 standard set forth in regulations adopted by the Commissioner that is found to be
 24 reasonably related to the insurer's economic and business purposes.

25 (1) (1) In the case of private passenger motor vehicle insurance, standards
 26 reasonably related to the insurer's economic and business purposes under subsection
 27 (a)(2) of this section include, but are not limited to, the following and do not require
 28 statistical validation:

29 (i) a material misrepresentation in connection with the
 30 application, policy, or presentation of a claim;

31 (ii) nonpayment of premium;

32 (iii) subject to § 27-606 of this title, revocation or suspension of the
 33 driver's license or motor vehicle registration within the preceding 2-year period:

34 1. of the named insured or covered driver under the policy;

35 and

36 2. for reasons related to the driving record of the driver;

1 (iv) subject to § 27-606 of this title, two or more motor vehicle
 2 accidents or any combination of three or more accidents and moving violations within
 3 the preceding 3-year period for which the insured was at fault for the accidents;

4 (v) subject to § 27-606 of this title, three or more moving violations
 5 against the insured or a covered driver under the policy within the preceding 2-year
 6 period;

7 (vi) subject to § 27-606 of this title, conviction of the named insured
 8 or a covered driver under the policy of any of the following:

9 1. a violation of § 21-902(a), (c), or (d) of the Transportation
 10 Article;

11 2. homicide, assault, reckless endangerment, or criminal
 12 negligence arising out of the operation of the motor vehicle; or

13 3. using the motor vehicle to participate in a felony;

14 (vii) SUBJECT TO SUBSECTION (O)(1) OF THIS SECTION, any other
 15 standard approved by the Commissioner that is based on factors that adversely affect
 16 the losses or expenses of the insurer under its approved rating plan and for which
 17 statistical validation is unavailable or is unduly burdensome to produce; and

18 (viii) SUBJECT TO SUBSECTION (O)(1) OF THIS SECTION, any other
 19 standard set forth in regulations adopted by the Commissioner that is found to be
 20 reasonably related to the insurer's economic and business purposes.

21 (O) (1) WITH RESPECT TO PRIVATE PASSENGER MOTOR VEHICLE
 22 INSURANCE, AN INSURER MAY NOT DENY, REFUSE TO RENEW, OR CANCEL
 23 COVERAGE OR INCREASE RATES FOR APPLICANTS OR POLICYHOLDERS WHO ARE
 24 MILITARY PERSONNEL RETURNING FROM ACTIVE DUTY OVERSEAS SOLELY
 25 BECAUSE THEY FAIL TO MEET UNDERWRITING STANDARDS THAT REQUIRE
 26 CONTINUOUS COVERAGE UNLESS THE FAILURE TO MAINTAIN CONTINUOUS
 27 COVERAGE EXISTED PRIOR TO THE APPLICANT'S OR POLICYHOLDER'S ASSIGNMENT
 28 TO ACTIVE DUTY OVERSEAS.

29 (2) WITH RESPECT TO HOMEOWNER'S INSURANCE, AN INSURER MAY
 30 NOT DENY, REFUSE TO RENEW, OR CANCEL COVERAGE OR INCREASE RATES FOR
 31 APPLICANTS OR POLICYHOLDERS WHO ARE MILITARY PERSONNEL RETURNING
 32 FROM ACTIVE DUTY OVERSEAS SOLELY BECAUSE THEY FAIL TO MEET:

33 (I) UNDERWRITING STANDARDS THAT REQUIRE CONTINUOUS
 34 COVERAGE UNLESS THE FAILURE TO MAINTAIN CONTINUOUS COVERAGE EXISTED
 35 PRIOR TO THE APPLICANT'S OR POLICYHOLDER'S ASSIGNMENT TO ACTIVE DUTY
 36 OVERSEAS; OR

37 (II) OCCUPANCY REQUIREMENTS IF THE MILITARY PERSONNEL
 38 CAN DEMONSTRATE THAT REASONABLE STEPS WERE TAKEN TO MAINTAIN AND

1 PROTECT THE PROPERTY DURING THE APPLICANT'S OR POLICYHOLDER'S

2 ASSIGNMENT TO ACTIVE DUTY OVERSEAS.

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