

SENATE BILL 656

C4

11r1733
CF 11r1721

By: **Senator Kelley**

Introduced and read first time: February 4, 2011

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Property and Casualty Insurance – Certificates of Insurance and Certificate**
3 **of Insurance Forms**

4 FOR the purpose of prohibiting a person from preparing or issuing or requiring the
5 preparation or issuance of a certificate of insurance unless the certificate of
6 insurance form has been filed with and approved by the Maryland Insurance
7 Commissioner; providing a certain exception; prohibiting a person from altering
8 or modifying a certain certificate of insurance form; requiring the Commissioner
9 to disapprove a certificate of insurance form or withdraw approval of a
10 certificate of insurance form under certain circumstances; requiring a certificate
11 of insurance to contain certain language; prohibiting a certificate of insurance
12 from containing a reference to a certain contract; prohibiting a person from
13 requiring an insurer or insurance producer to prepare or issue, or a policyholder
14 to provide, a certificate of insurance that contains false or misleading
15 information relating to the policy of insurance referenced in the certificate;
16 prohibiting a person from preparing or issuing a certificate of insurance that the
17 person knows contains certain information or that purports to amend, alter, or
18 extend certain coverage; prohibiting a person from preparing, issuing, or
19 requiring, either in addition to or in lieu of a certificate of insurance, an opinion
20 letter or other document that is inconsistent with this Act; providing that a
21 certificate of insurance is not a policy of insurance and does not amend, alter, or
22 extend certain coverage or confer certain rights on a certificate holder;
23 specifying the circumstances under which a certificate holder has a legal right
24 to certain notice; providing that a certificate of insurance or any other document
25 prepared, issued, or required in violation of this Act is void and unenforceable;
26 authorizing the Commissioner to examine and investigate the activities of any
27 person that the Commissioner reasonably believes has been or is engaged in an
28 act or practice prohibited by this Act; authorizing the Commissioner to enforce
29 this Act and impose certain penalties and remedies; requiring the
30 Commissioner to adopt certain regulations; providing for the application of this

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



Act; defining certain terms; and generally relating to certificates of insurance and certificate of insurance forms.

BY adding to

Article – Insurance

Section 19–116

Annotated Code of Maryland

(2006 Replacement Volume and 2010 Supplement)

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

Article – Insurance

19–116.

(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(2) “CERTIFICATE HOLDER” MEANS ANY PERSON, OTHER THAN A POLICYHOLDER, THAT REQUESTS, OBTAINS, OR POSSESSES A CERTIFICATE OF INSURANCE.

(3) (I) “CERTIFICATE OF INSURANCE” OR “CERTIFICATE” MEANS ANY DOCUMENT OR INSTRUMENT, HOWEVER TITLED OR DESCRIBED, THAT IS PREPARED OR ISSUED BY AN INSURER OR INSURANCE PRODUCER AS EVIDENCE OF PROPERTY INSURANCE OR CASUALTY INSURANCE COVERAGE.

(II) “CERTIFICATE OF INSURANCE” OR “CERTIFICATE” DOES NOT INCLUDE A POLICY OF INSURANCE OR AN INSURANCE BINDER.

(4) “INSURER” INCLUDES A PERSON THAT IS SELF-INSURED.

(5) “PERSON” INCLUDES A UNIT OF STATE OR LOCAL GOVERNMENT.

(6) “POLICYHOLDER” MEANS THE OWNER OF A POLICY OF PROPERTY INSURANCE OR CASUALTY INSURANCE.

(B) THIS SECTION APPLIES TO ALL CERTIFICATE HOLDERS, POLICYHOLDERS, INSURERS, INSURANCE PRODUCERS, AND CERTIFICATES OF INSURANCE PREPARED OR ISSUED AS EVIDENCE OF INSURANCE COVERAGE ON PROPERTY, OPERATIONS, OR RISKS LOCATED IN THE STATE, REGARDLESS OF WHERE THE CERTIFICATE HOLDER, POLICYHOLDER, INSURER, OR INSURANCE PRODUCER IS LOCATED.

1 **(C) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**
2 **SUBSECTION, A PERSON MAY NOT PREPARE OR ISSUE OR REQUIRE THE**
3 **PREPARATION OR ISSUANCE OF A CERTIFICATE OF INSURANCE UNLESS THE**
4 **CERTIFICATE OF INSURANCE FORM HAS BEEN FILED WITH AND APPROVED BY**
5 **THE COMMISSIONER.**

6 **(2) ANY STANDARD CERTIFICATE OF INSURANCE FORM ADOPTED**
7 **BY THE ASSOCIATION FOR COOPERATIVE OPERATIONS RESEARCH AND**
8 **DEVELOPMENT (ACORD) OR THE INSURANCE SERVICES OFFICE (ISO) THAT**
9 **OTHERWISE COMPLIES WITH THE REQUIREMENTS OF THIS SECTION IS DEEMED**
10 **APPROVED BY THE COMMISSIONER.**

11 **(3) A PERSON MAY NOT ALTER OR MODIFY A CERTIFICATE OF**
12 **INSURANCE FORM THAT IS APPROVED BY THE COMMISSIONER UNDER**
13 **PARAGRAPH (1) OF THIS SUBSECTION OR DEEMED APPROVED BY THE**
14 **COMMISSIONER UNDER PARAGRAPH (2) OF THIS SUBSECTION.**

15 **(D) THE COMMISSIONER SHALL DISAPPROVE A CERTIFICATE OF**
16 **INSURANCE FORM FILED WITH THE COMMISSIONER UNDER THIS SECTION, OR**
17 **WITHDRAW APPROVAL OF A CERTIFICATE OF INSURANCE FORM, IF THE FORM:**

18 **(1) IS UNJUST, UNFAIR, MISLEADING, OR DECEPTIVE, OR**
19 **VIOLATES PUBLIC POLICY;**

20 **(2) FAILS TO COMPLY WITH THE REQUIREMENTS OF THIS**
21 **SECTION; OR**

22 **(3) VIOLATES ANY LAW, INCLUDING ANY REGULATION ADOPTED**
23 **BY THE COMMISSIONER.**

24 **(E) EACH CERTIFICATE OF INSURANCE MUST CONTAIN SUBSTANTIALLY**
25 **THE FOLLOWING LANGUAGE: “THIS CERTIFICATE OF INSURANCE IS ISSUED AS A**
26 **MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS ON THE**
27 **CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, ALTER, OR**
28 **EXTEND THE COVERAGE PROVIDED BY, OR THE TERMS, EXCLUSIONS, OR**
29 **CONDITIONS STATED IN, THE POLICY OF INSURANCE REFERENCED IN THIS**
30 **CERTIFICATE.”**

31 **(F) (1) A CERTIFICATE OF INSURANCE MAY NOT CONTAIN A**
32 **REFERENCE TO ANY CONTRACT, INCLUDING A CONSTRUCTION OR SERVICE**
33 **CONTRACT, OTHER THAN THE CONTRACT OF INSURANCE REFERENCED IN THE**
34 **CERTIFICATE.**

1 **(2) NOTWITHSTANDING ANY REQUIREMENT, TERM, OR**
2 **CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH**
3 **A CERTIFICATE OF INSURANCE IS PREPARED OR ISSUED, THE INSURANCE**
4 **COVERAGE PROVIDED BY THE POLICY OF INSURANCE REFERENCED IN THE**
5 **CERTIFICATE IS SUBJECT TO ALL THE TERMS, EXCLUSIONS, AND CONDITIONS**
6 **OF THE POLICY.**

7 **(G) A PERSON MAY NOT REQUIRE AN INSURER OR INSURANCE**
8 **PRODUCER TO PREPARE OR ISSUE, OR A POLICYHOLDER TO PROVIDE, A**
9 **CERTIFICATE OF INSURANCE THAT CONTAINS FALSE OR MISLEADING**
10 **INFORMATION RELATING TO THE POLICY OF INSURANCE REFERENCED IN THE**
11 **CERTIFICATE.**

12 **(H) A PERSON MAY NOT PREPARE OR ISSUE A CERTIFICATE OF**
13 **INSURANCE THAT THE PERSON KNOWS CONTAINS FALSE OR MISLEADING**
14 **INFORMATION OR THAT PURPORTS TO AMEND, ALTER, OR EXTEND THE**
15 **COVERAGE PROVIDED BY THE POLICY OF INSURANCE REFERENCED IN THE**
16 **CERTIFICATE.**

17 **(I) A PERSON MAY NOT PREPARE, ISSUE, OR REQUIRE, EITHER IN**
18 **ADDITION TO OR IN LIEU OF A CERTIFICATE OF INSURANCE, AN OPINION**
19 **LETTER OR OTHER DOCUMENT THAT IS INCONSISTENT WITH THIS SECTION.**

20 **(J) (1) A CERTIFICATE OF INSURANCE IS NOT A POLICY OF**
21 **INSURANCE AND DOES NOT AMEND, ALTER, OR EXTEND THE COVERAGE**
22 **PROVIDED BY THE POLICY OF INSURANCE REFERENCED IN THE CERTIFICATE.**

23 **(2) A CERTIFICATE OF INSURANCE DOES NOT CONFER ON A**
24 **CERTIFICATE HOLDER NEW OR ADDITIONAL RIGHTS BEYOND THE RIGHTS**
25 **PROVIDED IN THE POLICY OF INSURANCE REFERENCED IN THE CERTIFICATE.**

26 **(K) (1) A CERTIFICATE HOLDER SHALL HAVE A LEGAL RIGHT TO**
27 **NOTICE OF CANCELLATION, NONRENEWAL, MATERIAL CHANGE, OR OTHER**
28 **SIMILAR MATTERS RELATING TO A POLICY OF INSURANCE REFERENCED IN A**
29 **CERTIFICATE OF INSURANCE ONLY IF THE CERTIFICATE HOLDER IS LISTED AS A**
30 **NAMED INSURED OR AN ADDITIONAL INSURED IN THE POLICY OR AN**
31 **ENDORSEMENT TO THE POLICY, AND THE POLICY OR ENDORSEMENT REQUIRES**
32 **THE NOTICE TO BE PROVIDED.**

33 **(2) THE TERMS AND CONDITIONS OF THE NOTICE:**

34 **(I) SHALL BE GOVERNED BY THE POLICY OF INSURANCE;**
35 **AND**

1 (II) MAY NOT BE ALTERED BY A CERTIFICATE OF
2 INSURANCE.

3 (L) A CERTIFICATE OF INSURANCE OR ANY OTHER DOCUMENT
4 PREPARED, ISSUED, OR REQUIRED IN VIOLATION OF THIS SECTION IS VOID AND
5 UNENFORCEABLE.

6 (M) (1) THE COMMISSIONER MAY EXAMINE AND INVESTIGATE THE
7 ACTIVITIES OF ANY PERSON THAT THE COMMISSIONER REASONABLY BELIEVES
8 HAS BEEN OR IS ENGAGED IN AN ACT OR PRACTICE PROHIBITED BY THIS
9 SECTION.

10 (2) THE COMMISSIONER MAY ENFORCE THIS SECTION AND
11 IMPOSE ANY AUTHORIZED PENALTY OR REMEDY AGAINST A PERSON THAT
12 VIOLATES THIS SECTION.

13 (N) THE COMMISSIONER SHALL ADOPT REGULATIONS TO CARRY OUT
14 THIS SECTION, INCLUDING REGULATIONS THAT ESTABLISH AN APPROVAL
15 PROCESS FOR CERTIFICATE OF INSURANCE FORMS.

16 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
17 October 1, 2011.