

HOUSE BILL 1462

C4

4lr2796
CF SB 977

By: **Delegate Davis**

Introduced and read first time: February 19, 2014

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Property and Casualty Insurance – Notices – Use of First-Class Mail**
3 **Tracking Methods**

4 FOR the purpose of altering the manner in which certain insurers are required to
5 notify certain persons of the rescission, cancellation, nonrenewal, or termination
6 of certain policies or binders of certain property or casualty insurance, or of an
7 increase in the total premium for a policy of private passenger motor vehicle
8 liability insurance; making certain conforming changes; defining a certain term;
9 and generally relating to notices required under policies of property or casualty
10 insurance.

11 BY renumbering

12 Article – Insurance

13 Section 27–602(b) and (c), 27–603(b), (c), and (e), and 27–613(b), (c), (f), (g), (h),
14 (i), and (j), respectively

15 to be Section 27–602(c) and (d), 27–603(c), (d), and (f), and 27–613(c), (d), (g),
16 (h), (i), (j), and (k), respectively

17 Annotated Code of Maryland

18 (2011 Replacement Volume and 2013 Supplement)

19 BY repealing and reenacting, with amendments,

20 Article – Insurance

21 Section 12–106(a), (f), and (j)(3), 27–602(a) and (d), 27–603(a) and (d),
22 27–613(a), (d), and (e), and 27–614(a) and (c)(1)

23 Annotated Code of Maryland

24 (2011 Replacement Volume and 2013 Supplement)

25 BY repealing and reenacting, without amendments,

26 Article – Insurance

27 Section 12–106(b) and 27–614(b)

28 Annotated Code of Maryland

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (2011 Replacement Volume and 2013 Supplement)

2 BY adding to

3 Article – Insurance

4 Section 27–602(a), 27–603(a), and 27–613(a)

5 Annotated Code of Maryland

6 (2011 Replacement Volume and 2013 Supplement)

7 BY repealing and reenacting, with amendments,

8 Article – Insurance

9 Section 27–602(c)(1) and (d)(1), 27–603(c)(1), (d)(1), and (f)(1), and 27–613(c)(2),

10 (d)(1), and (g)(1)

11 Annotated Code of Maryland

12 (2011 Replacement Volume and 2013 Supplement)

13 (As enacted by Section 1 of this Act)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
 15 MARYLAND, That Section(s) 27–602(b) and (c), 27–603(b), (c), and (e), and 27–613(b),
 16 (c), (f), (g), (h), (i), and (j), respectively, of Article – Insurance of the Annotated Code of
 17 Maryland be renumbered to be Section(s) 27–602(c) and (d), 27–603(c) and (f), and
 18 27–613(c), (d), (h), (i), (j), and (k), respectively.

19 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
 20 read as follows:

21 **Article – Insurance**

22 12–106.

23 (a) (1) In this section the following words have the meanings indicated.

24 (2) (I) **“FIRST–CLASS MAIL TRACKING METHOD” MEANS A**
 25 **MAIL TRACKING METHOD THAT PROVIDES EVIDENCE OF THE DATE THAT A**
 26 **PIECE OF FIRST–CLASS MAIL WAS ACCEPTED FOR MAILING BY THE UNITED**
 27 **STATES POSTAL SERVICE.**

28 (II) **“FIRST–CLASS MAIL TRACKING METHOD” INCLUDES:**

29 1. **A CERTIFICATE OF MAIL; AND**

30 2. **AN ELECTRONIC MAIL TRACKING SYSTEM USED BY**
 31 **THE UNITED STATES POSTAL SERVICE.**

32 (III) **“FIRST–CLASS MAIL TRACKING METHOD” DOES NOT**
 33 **INCLUDE A CERTIFICATE OF BULK MAILING.**

- 1 (ii) have an effective date of not less than 10 days after mailing;
- 2 (iii) state the insurer's intent to cancel for nonpayment of
3 premium; and
- 4 (iv) be sent by [certificate of mail] **A FIRST-CLASS MAIL**
5 **TRACKING METHOD** to the named insured's last known address.

6 (j) (3) To rescind a policy or binder, an insurer shall send, immediately or
7 the next business day after receipt of a notice that the check or other remittance for
8 the initial premium payment was not honored on presentation to the financial
9 institution, written notice to the applicant and any secured creditor, by [certificate of
10 mail] **A FIRST-CLASS MAIL TRACKING METHOD** and, if available, by electronic mail
11 or other electronic means, to the applicant's and any secured creditor's last known
12 address, stating that:

13 (i) 1. the policy or binder is rescinded as of its proposed
14 effective date because the applicant's check or other remittance for the initial premium
15 payment was not honored on presentation to the financial institution; and

16 2. no coverage is in effect under the policy or binder; but

17 (ii) the insurer shall continue or reinstate the policy or binder
18 without a lapse in coverage if:

19 1. the financial institution erroneously failed to honor
20 the check or other remittance and the applicant:

21 A. promptly notifies the insurer of the error; and

22 B. provides documentation of the financial institution's
23 error to the insurer as it becomes available and on request of the insurer; or

24 2. the applicant or any secured creditor pays the insurer
25 the amount of the initial premium within 5 business days after the insurer has sent
26 notice to the applicant and any secured creditor that the check or other remittance for
27 the initial premium payment was not honored.

28 27-602.

29 **(A) (1) IN THIS SECTION, "FIRST-CLASS MAIL TRACKING METHOD"**
30 **MEANS A MAIL TRACKING METHOD THAT PROVIDES EVIDENCE OF THE DATE**
31 **THAT A PIECE OF FIRST-CLASS MAIL WAS ACCEPTED FOR MAILING BY THE**
32 **UNITED STATES POSTAL SERVICE.**

33 **(2) "FIRST-CLASS MAIL TRACKING METHOD" INCLUDES:**

1 **(I) A CERTIFICATE OF MAIL; AND**

2 **(II) AN ELECTRONIC MAIL TRACKING SYSTEM USED BY THE**
3 **UNITED STATES POSTAL SERVICE.**

4 **(3) “FIRST-CLASS MAIL TRACKING METHOD” DOES NOT INCLUDE**
5 **A CERTIFICATE OF BULK MAILING.**

6 **[(a)] (B) (1)** This section applies only to policies of:

7 (i) personal insurance; and

8 (ii) homeowner’s insurance under which a onetime guaranteed
9 fully refundable deposit is required for a stated amount of coverage.

10 (2) This section does not apply to policies in effect for 45 days or less,
11 as provided in § 12–106 of this article.

12 (c) (1) Whenever an insurer, as required by subsection **[(c)] (D)** of this
13 section, gives notice of its intention to cancel or not to renew a policy subject to this
14 section issued in the State or before an insurer cancels a policy subject to this section
15 issued in the State for a reason other than nonpayment of premium, the insurer shall
16 notify the insured of the possible right of the insured to replace the insurance under
17 the Maryland Property Insurance Availability Act or through another plan for which
18 the insured may be eligible.

19 (d) (1) Subject to paragraph (5) of this subsection, at least 45 days before
20 the date of the proposed cancellation or expiration of the policy, the insurer shall send
21 to the named insured at the named insured’s last known address, by **[certificate of**
22 **mail] A FIRST-CLASS MAIL TRACKING METHOD**, a written notice of intention to
23 cancel for a reason other than nonpayment of premium or notice of intention not to
24 renew a policy issued in the State.

25 **[(d)] (E)** At least 10 days before the date an insurer proposes to cancel a
26 policy for nonpayment of premium, the insurer shall send to the named insured, at the
27 named insured’s last known address, by **[certificate of mail] A FIRST-CLASS MAIL**
28 **TRACKING METHOD**, a written notice of intention to cancel for nonpayment of
29 premium.

30 27–603.

31 **(A) (1) IN THIS SECTION, “FIRST-CLASS MAIL TRACKING METHOD”**
32 **MEANS A MAIL TRACKING METHOD THAT PROVIDES EVIDENCE OF THE DATE**

1 THAT A PIECE OF FIRST-CLASS MAIL WAS ACCEPTED FOR MAILING BY THE
2 UNITED STATES POSTAL SERVICE.

3 (2) "FIRST-CLASS MAIL TRACKING METHOD" INCLUDES:

4 (I) A CERTIFICATE OF MAIL; AND

5 (II) AN ELECTRONIC MAIL TRACKING SYSTEM USED BY THE
6 UNITED STATES POSTAL SERVICE.

7 (3) "FIRST-CLASS MAIL TRACKING METHOD" DOES NOT INCLUDE
8 A CERTIFICATE OF BULK MAILING.

9 [(a)] (B) (1) This section applies only to policies of commercial insurance.

10 (2) This section does not apply to:

11 (i) policies in effect for 45 days or less, as provided in § 12-106
12 of this article; or

13 (ii) policies issued to exempt commercial policyholders under §
14 11-206 of this article, if the policies provide for written notice of not less than 30 days
15 of the insurer's intent to cancel or nonrenew.

16 (c) (1) Whenever an insurer, as required by subsection [(c)] (D) of this
17 section, gives notice of its intention to cancel or not to renew a policy issued in this
18 State for a reason other than nonpayment of premium, the insurer shall notify the
19 insured of the possible right to replace the insurance under the Maryland Property
20 Insurance Availability Act, through the Maryland Automobile Insurance Fund, or
21 through another plan for which the insured may be eligible.

22 (d) (1) Subject to paragraph (5) of this subsection, at least 45 days before
23 the date of the proposed cancellation or expiration of the policy, the insurer shall send
24 to the insured, by [certificate of mail] A FIRST-CLASS MAIL TRACKING METHOD or
25 by commercial mail delivery service, written notice of intention to cancel for a reason
26 other than nonpayment of premium or notice of intention not to renew a policy issued
27 in the State.

28 [(d)] (E) At least 10 days before the date an insurer proposes to cancel a
29 policy for nonpayment of premium, the insurer shall send to the insured, by
30 [certificate of mail] A FIRST-CLASS MAIL TRACKING METHOD, a written notice of
31 intention to cancel for nonpayment of premium.

32 (f) (1) If an insurer provides a renewal policy and notice of premium due
33 to an insured at least 45 days before the renewal date of the policy and the insured
34 fails to make the required payment by the renewal date, the insurer may terminate

1 the policy on the renewal date for nonpayment of premium after sending to the
2 insured, by [certificate of mail] **A FIRST-CLASS MAIL TRACKING METHOD**, a written
3 offer to reinstate the renewal policy without lapse in coverage.

4 27-613.

5 **(A) (1) IN THIS SECTION, “FIRST-CLASS MAIL TRACKING METHOD”**
6 **MEANS A MAIL TRACKING METHOD THAT PROVIDES EVIDENCE OF THE DATE**
7 **THAT A PIECE OF FIRST-CLASS MAIL WAS ACCEPTED FOR MAILING BY THE**
8 **UNITED STATES POSTAL SERVICE.**

9 **(2) “FIRST-CLASS MAIL TRACKING METHOD” INCLUDES:**

10 **(I) A CERTIFICATE OF MAIL; AND**

11 **(II) AN ELECTRONIC MAIL TRACKING SYSTEM USED BY THE**
12 **UNITED STATES POSTAL SERVICE.**

13 **(3) “FIRST-CLASS MAIL TRACKING METHOD” DOES NOT INCLUDE**
14 **A CERTIFICATE OF BULK MAILING.**

15 **[(a)] (B) (1)** This section applies only to private passenger motor vehicle
16 liability insurance.

17 **(2)** This section does not apply to the Maryland Automobile Insurance
18 Fund.

19 **(c) (2)** Notwithstanding paragraph (1) of this subsection, the
20 requirements of this section do not apply if:

21 **(i)** the reduction in coverage described in paragraph (1)(ii) of
22 this subsection is part of a general reduction in coverage approved by the
23 Commissioner or satisfies the requirements of Title 19, Subtitle 5 of this article; or

24 **(ii)** the failure to renew the policy takes place under a plan of
25 withdrawal that:

26 1. is approved by the Commissioner under § 27-606 of
27 this subtitle; and

28 2. provides that each insured affected by the plan of
29 withdrawal shall be sent by [certificate of mail] **A FIRST-CLASS MAIL TRACKING**
30 **METHOD** at least 45 days before the nonrenewal of the policy a written notice that
31 states the date that the policy will be nonrenewed and that the nonrenewal is the
32 result of the withdrawal of the insurer from the market.

1 (d) (1) At least 45 days before the proposed effective date of the action, an
2 insurer that intends to take an action subject to this section shall send written notice
3 of its proposed action to the insured at the last known address of the insured:

4 (i) for notice of cancellation or nonrenewal, by certified mail;
5 and

6 (ii) for all other notices of actions subject to this section, by
7 [certificate of mail] **A FIRST-CLASS MAIL TRACKING METHOD.**

8 [(d)] **(E)** At least 10 days before the date an insurer proposes to cancel a
9 policy for nonpayment of premium, the insurer shall send to the insured, by
10 [certificate of mail] **A FIRST-CLASS MAIL TRACKING METHOD**, a written notice of
11 intention to cancel for nonpayment of premium.

12 [(e)] **(F)** A statement of actual reason contained in the notice given under
13 subsection [(c)] **(D)** of this section is privileged and does not constitute grounds for an
14 action against the insurer, its representatives, or another person that in good faith
15 provides to the insurer information on which the statement is based.

16 (g) (1) This subsection does not apply to an action of an insurer taken
17 under subsection [(d)] **(E)** of this section.

18 27-614.

19 (a) **(1)** In this section[, “increase”] **THE FOLLOWING WORDS HAVE THE**
20 **MEANINGS INDICATED.**

21 **(2) (I) “FIRST-CLASS MAIL TRACKING METHOD” MEANS A**
22 **MAIL TRACKING METHOD THAT PROVIDES EVIDENCE OF THE DATE THAT A**
23 **PIECE OF FIRST-CLASS MAIL WAS ACCEPTED FOR MAILING BY THE UNITED**
24 **STATES POSTAL SERVICE.**

25 **(II) “FIRST-CLASS MAIL TRACKING METHOD” INCLUDES:**

26 1. **A CERTIFICATE OF MAIL; AND**

27 2. **AN ELECTRONIC MAIL TRACKING SYSTEM USED BY**
28 **THE UNITED STATES POSTAL SERVICE.**

29 **(III) “FIRST-CLASS MAIL TRACKING SYSTEM” DOES NOT**
30 **INCLUDE A CERTIFICATE OF BULK MAILING.**

1 **(3)** “**INCREASE** in premium” and “premium increase” include an
2 increase in total premium for a policy due to:

3 **[(1)] (I)** a surcharge;

4 **[(2)] (II)** retiering or other reclassification of an insured; or

5 **[(3)] (III)** removal or reduction of a discount.

6 (b) (1) This section applies only to private passenger motor vehicle
7 liability insurance.

8 (2) This section does not apply to the Maryland Automobile Insurance
9 Fund.

10 (3) This section does not apply to an increase in premium made by an
11 insurer during the 45-day underwriting period in accordance with § 12-106(d)(2) and
12 (3) of this article.

13 (c) (1) Except as provided in paragraph (2) of this subsection, at least 45
14 days before the effective date of an increase in the total premium for a policy of private
15 passenger motor vehicle liability insurance, the insurer shall send written notice of the
16 premium increase to the insured at the last known address of the insured by
17 **[certificate of mail] A FIRST-CLASS MAIL TRACKING METHOD.**

18 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
19 October 1, 2014.