
By: Senator Boozer

Requested: October 7, 1996

Introduced and read first time: January 8, 1997

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance - Agents or Brokers - Termination of Agency Agreement**

3 FOR the purpose of prohibiting insurers from canceling, terminating, amending, or
4 refusing to renew certain agreements with agents or brokers except under certain
5 circumstances; requiring an insurer to give notice to an agent or broker in a certain
6 manner if the insurer intends to cancel, terminate, or refuse to renew a certain
7 agreement; and generally relating to the circumstances under which an insurer may
8 cancel, terminate, amend, or refuse to renew certain agreements with agents or
9 brokers.

10 BY repealing and reenacting, with amendments,

11 Article - Insurance

12 Section 27-503

13 Annotated Code of Maryland

14 (1995 Volume and 1996 Supplement)

15 (As enacted by Chapter _____ (H.B. 11) of the Acts of the General Assembly of

16 1997)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

18 MARYLAND, That the Laws of Maryland read as follows:

19 **Article - Insurance**

20 27-503.

21 (a) An insurer may not cancel, TERMINATE, OR REFUSE TO RENEW a written
22 agreement with an agent or broker about insurance or refuse to accept insurance business
23 from the agent or broker unless the insurer complies with this section.

24 (b) (1) This subsection does not apply to:

25 (i) policies of life insurance, health insurance, surety insurance, wet
26 marine and transportation insurance, and title insurance; or

27 (ii) agents, brokers, or policies of a company or group of companies
28 represented by agents or brokers who by contractual agreement represent only that
29 company or group of companies if:

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1 1. the business is owned by the company or group of companies;
2 and

3 2. the cancellation of any contractual agreement does not result
4 in the cancellation or refusal to renew any policies.

5 (2) If an insurer intends to cancel, TERMINATE, OR REFUSE TO RENEW a
6 written agreement with an agent or broker or intends to refuse a class of renewal business
7 from an agent or broker, the insurer shall give the agent or broker at least 90 days written
8 notice.

9 (3) Notwithstanding any provision of the agreement to the contrary, the
10 insurer shall continue for at least 1 year after termination of the agency agreement to
11 renew through the agent or broker any of the policies that have not been replaced with
12 other insurers as expirations occur.

13 (c) An insurer may not cancel or refuse to renew a policy of the insured because
14 of the termination of the agent's or broker's contract.

15 (d) Notwithstanding any other provision of this section, an insurer may not cancel
16 [or amend], TERMINATE, AMEND, OR REFUSE TO RENEW a written agreement with an
17 agent or broker or refuse to accept business from the agent or broker if the cancellation,
18 amendment, or refusal is arbitrary, capricious, unfair, or discriminatory or is based wholly
19 or partly on the race, creed, color, sex, religion, national origin, or place of residency of
20 the agent or broker or the applicants or policyholders of the agent or broker.

21 (e) If an insurer or agent that accepts brokerage business rejects the business of a
22 broker, the insurer or agent shall give to the Commissioner and the broker, on request of
23 the broker, the reasons for the rejection in writing.

24 (f) An insurer may not cancel [or amend], TERMINATE, AMEND, OR REFUSE
25 TO RENEW a written agreement with an agent or broker about property insurance or
26 casualty insurance because of an adverse loss ratio experience on the agent's or broker's
27 book of business if:

28 (1) the insurer required the agent or broker to submit the application for
29 underwriting approval, all material information on the application was completed, and
30 the agent or broker did not omit or alter any information provided by the applicant; or

31 (2) the insurer accepted, without prior approval, policies issued by the agent
32 or broker, if all material information on the application for the policy or on the insurer's
33 copy of any policy issued by the agent or broker was completed and the agent or broker
34 did not omit or alter any information provided by the applicant.

35 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
36 October 1, 1997.