
By: **Delegate Love**
Introduced and read first time: February 26, 1998
Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance - Standards for Cancellation, Underwriting, and Nonrenewal**

3 FOR the purpose of prohibiting insurers from using certain standards for purposes of
4 canceling or refusing to renew or underwrite homeowners and private passenger
5 automobile insurance; requiring the Insurance Commissioner to adopt certain
6 regulations; providing for the termination of this Act; and generally relating to
7 standards that insurers are prohibited from using in the cancellation or refusal
8 to renew or underwrite certain insurance.

9 BY repealing and reenacting, with amendments,
10 Article - Insurance
11 Section 27-501
12 Annotated Code of Maryland
13 (1997 Volume)

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

16 **Article - Insurance**

17 27-501.

18 (a) (1) An insurer, agent, or broker may not cancel or refuse to underwrite or
19 renew a particular insurance risk or class of risk for a reason based wholly or partly
20 on race, color, creed, sex, or blindness of an applicant or policyholder or for any
21 arbitrary, capricious, or unfairly discriminatory reason.

22 (2) An insurer, agent, or broker may not cancel or refuse to underwrite or
23 renew a particular insurance risk or class of risk except by the application of
24 standards that are reasonably related to the insurer's economic and business
25 purposes.

26 (3) THE FOLLOWING STANDARDS ARE NOT REASONABLY RELATED TO
27 AN INSURER'S ECONOMIC AND BUSINESS PURPOSES UNDER THIS SUBSECTION:

1 (I) FOR HOMEOWNER'S INSURANCE, THE CANCELLATION OR THE
2 REFUSAL TO UNDERWRITE OR RENEW BECAUSE OF TWO OR FEWER CLAIMS MADE BY
3 THE INSURED OR APPLICANT WITHIN A 3-YEAR PERIOD FOR LOSSES RESULTING
4 FROM WEATHER-RELATED EVENTS; AND

5 (II) FOR PRIVATE PASSENGER AUTOMOBILE INSURANCE, THE
6 CANCELLATION OR REFUSAL TO UNDERWRITE OR RENEW DUE TO TWO OR FEWER
7 CLAIMS MADE BY THE INSURED OR APPLICANT WITHIN A 3-YEAR PERIOD FOR
8 LOSSES WHERE THE INSURED OR APPLICANT IS DETERMINED TO NOT BE AT FAULT
9 FOR THE LOSS.

10 (4) (I) THE COMMISSIONER SHALL ADOPT REGULATIONS TO
11 IMPLEMENT THE PROVISIONS OF THIS SUBSECTION.

12 (II) THE REGULATIONS ADOPTED UNDER THIS SUBSECTION SHALL
13 IDENTIFY THOSE STANDARDS THAT ARE REASONABLY RELATED TO AN INSURER'S
14 ECONOMIC AND BUSINESS PURPOSES FOR WHICH STATISTICAL VALIDATION IS NOT
15 REQUIRED.

16 (b) (1) An insurer may not require special conditions, facts, or situations as
17 a condition to its acceptance or renewal of a particular insurance risk or class of risks
18 in an arbitrary, capricious, unfair, or discriminatory manner based wholly or partly on
19 race, creed, color, sex, religion, national origin, place of residency, blindness, or other
20 physical handicap or disability.

21 (2) Actuarial justification may be considered with respect to sex.

22 (c) An insurer, agent, or broker may not make an inquiry about race, creed,
23 color, or national origin in an insurance form, questionnaire, or other manner of
24 requesting general information that relates to an application for insurance.

25 (d) With respect to automobile liability insurance, an insurer may not:

26 (1) cancel, refuse to renew, or otherwise terminate coverage for an
27 automobile insurance risk because of a traffic violation or accident that occurred more
28 than 3 years before the effective date of the policy or renewal; or

29 (2) refuse to underwrite an automobile insurance risk because of a traffic
30 violation or accident that occurred more than 3 years before the date of application.

31 (e) An insurer may not refuse to underwrite a private passenger motor vehicle
32 insurance risk solely because the applicant or named insured previously obtained
33 insurance coverage from any authorized insurer or the Maryland Automobile
34 Insurance Fund.

35 (f) In the case of cancellation of or refusal to renew a policy, the policy remains
36 in effect until a finding is issued under § 27-505 of this subtitle if:

37 (1) the insured asks the Commissioner to review the cancellation or
38 refusal to renew before the effective date of the termination of the policy; and

1 (2) the Commissioner begins action to issue a finding under § 27-505 of
2 this subtitle.

3 (g) At a hearing to determine whether this section has been violated, the
4 burden of persuasion is on the insurer to show that the cancellation or refusal to
5 underwrite or renew is justified under the underwriting standards demonstrated.

6 (h) (1) This subsection applies to insurance underwriting standards for all
7 health, life, disability, property, and casualty coverages provided in the State.

8 (2) At the request of the Commissioner, each insurer shall file with the
9 Commissioner a copy of its underwriting standards, including any amendments or
10 supplements.

11 (3) The Commissioner may review and examine the underwriting
12 standards to ensure compliance with this article.

13 (4) Each insurer may request a finding by the Commissioner that its
14 underwriting standards filed with the Commissioner be considered confidential
15 commercial information under § 10-617(d) of the State Government Article.

16 (5) The Commissioner shall adopt regulations to carry out this
17 subsection.

18 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
19 October 1, 1998. It shall remain effective for a period of 3 years and, at the end of
20 September 30, 2001, with no further action required by the General Assembly, this
21 Act shall be abrogated and of no further force and effect.