

SENATE BILL 57

Unofficial Copy
C4

1998 Regular Session
8lr6034

(PRE-FILED)

By: **Chairman, Finance Committee (Departmental - Insurance
Administration, Maryland)**

Requested: October 8, 1997

Introduced and read first time: January 14, 1998

Assigned to: Finance

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: February 23, 1998

CHAPTER _____

1 AN ACT concerning

2 **Insurance Policies - Cancellation or Nonrenewal - Statement of Actual**
3 **Reason**

4 FOR the purpose of requiring an insurer that cancels or refuses to renew certain
5 insurance policies to provide the insured with a statement of the actual reason
6 for the cancellation or refusal to renew; clarifying that the requirement to
7 provide a statement of the actual reason applies only to a cancellation or
8 nonrenewal of an existing policy and not to a refusal to issue a new policy;
9 eliminating a requirement of a certain filing with the Insurance Commissioner;
10 and generally relating to the cancellation or nonrenewal of certain insurance
11 policies.

12 BY repealing and reenacting, with amendments,
13 Article - Insurance
14 Section 27-602
15 Annotated Code of Maryland
16 (1997 Volume)

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

1

Article - Insurance

2 27-602.

3 (a) In this section, "applicant" means the person that seeks to purchase a
4 renewal policy or to reinstate a canceled policy.

5 (b) (1) This section applies to the Maryland Property Insurance Availability
6 Act and to any other plans that may be instituted to ensure availability of insurance,
7 unless expressly excluded.

8 (2) This section does not apply to policies of:

9 (i) life insurance;

10 (ii) health insurance;

11 (iii) motor vehicle liability insurance; or

12 (iv) surety insurance.

13 (c) (1) Whenever an insurer cancels or refuses to renew a policy subject to
14 this section, the insurer must provide to the applicant a statement of the actual
15 reason for the cancellation or refusal to renew[, or notice that the actual reason will
16 be provided on request,] if:

17 (i) the authorized premium has been tendered or paid; and

18 (ii) a written request for the actual reason has been made within 30
19 days after receipt of the statement of intention to cancel or not renew, whether or not
20 the applicant subsequently is accepted under a plan described in subsection (b)(1) of
21 this section].

22 (2) Paragraph (1) of this subsection applies to the cancellation of or
23 refusal to renew a binder that has been in effect for at least 15 days or an actual
24 policy that has been issued.

25 (d) A statement of actual reason [or statement refusing an application] is
26 privileged and does not constitute grounds for an action against the insurer, its
27 representatives, or another person that in good faith provides to the insurer
28 information on which the statement is based.

29 ~~(e) A copy of the statement of actual reason [or statement refusing an
30 application] must be provided to the Commissioner.~~

31 ~~(f) [If requested, the statement of actual reason or statement refusing an
32 application must be made by the insurer or its qualified agent within 10 days after
33 receipt of the request by the insurer.~~

34 ~~(g) If not requested, the] THE statement of actual reason [or statement
35 refusing an application] must contain notice to the applicant that[:~~

1 ~~(1)~~ the applicant may request the actual reason for the refusal to issue,
2 cancellation, or refusal to renew if the applicant makes the request within 30 days
3 after receipt of the statement of refusal to issue or intention to cancel or not renew;
4 and

5 ~~(2)~~ any statement of actual reason will be retained as a public record in
6 the Administration.

7 [(h)] ~~(G)-(E)~~ (1) The reason given in the statement of actual reason [or
8 statement refusing an application] must be sufficiently clear and specific so that an
9 applicant of reasonable intelligence can identify the basis for the insurer's decision
10 without making further inquiry.

11 (2) The use of generalized terms such as "personal habits", "physical
12 handicap or disability", "living conditions", "poor morals", or "violation or accident
13 record" does not meet the requirement of this subsection.

14 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
15 effect October 1, 1998.