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By: **Senator Green**

Introduced and read first time: March 2, 1998

Assigned to: Rules

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A BILL ENTITLED

1 AN ACT concerning

2 **Homeowner's Insurance and Private Passenger Motor Vehicle Insurance -**  
3 **Underwriting Standards**

4 FOR the purpose of altering certain underwriting standards by which an insurer may  
5 not cancel or refuse to renew or underwrite risks with respect to homeowner's  
6 insurance and private passenger motor vehicle insurance under certain  
7 circumstances; requiring the Maryland Insurance Commissioner to adopt  
8 certain regulations concerning certain underwriting standards with respect to  
9 homeowner's insurance and private passenger motor vehicle insurance;  
10 providing for the termination of this Act; and generally relating to underwriting  
11 standards for homeowner's insurance and private passenger motor vehicle  
12 insurance.

13 BY repealing and reenacting, with amendments,  
14 Article - Insurance  
15 Section 27-501  
16 Annotated Code of Maryland  
17 (1997 Volume)

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

20 **Article - Insurance**

21 27-501.

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

26 (2) [An] SUBJECT TO THE PROVISIONS OF SUBSECTION (1) OF THIS  
27 SECTION, AN insurer, agent, or broker may not cancel or refuse to underwrite or  
28 renew a particular insurance risk or class of risk except by the application of

1 standards that are reasonably related to the insurer's economic and business  
2 purposes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6 (5) The Commissioner shall adopt regulations to carry out this  
7 subsection.

8 (I) (1) SUBJECT TO THE PROVISIONS OF PARAGRAPHS (2) AND (3) OF THIS  
9 SUBSECTION, THE COMMISSIONER SHALL ADOPT REGULATIONS THAT IDENTIFY  
10 STANDARDS THAT ARE REASONABLY RELATED TO AN INSURER'S ECONOMIC AND  
11 BUSINESS PURPOSES AS PROVIDED UNDER SUBSECTION (A)(2) OF THIS SECTION,  
12 INCLUDING STANDARDS FOR WHICH STATISTICAL VALIDATION IS NOT REQUIRED.

13 (2) WITH RESPECT TO HOMEOWNER'S INSURANCE, AN INSURER MAY  
14 NOT:

15 (I) CANCEL, REFUSE TO RENEW, OR OTHERWISE TERMINATE  
16 COVERAGE FOR A HOMEOWNER'S INSURANCE RISK BECAUSE THE INSURED MADE  
17 TWO OR FEWER CLAIMS WITHIN A 3-YEAR PERIOD FOR LOSSES RESULTING FROM  
18 WEATHER-RELATED EVENTS; OR

19 (II) REFUSE TO UNDERWRITE A HOMEOWNER'S RISK BECAUSE THE  
20 APPLICANT MADE TWO OR FEWER CLAIMS WITHIN A 3-YEAR PERIOD FOR LOSSES  
21 RESULTING FROM WEATHER-RELATED EVENTS.

22 (3) WITH RESPECT TO PRIVATE PASSENGER MOTOR VEHICLE  
23 INSURANCE, AN INSURER MAY NOT:

24 (I) CANCEL, REFUSE TO RENEW, OR OTHERWISE TERMINATE  
25 COVERAGE FOR A PRIVATE PASSENGER MOTOR VEHICLE INSURANCE RISK BECAUSE  
26 THE INSURED MADE TWO OR FEWER CLAIMS WITHIN A 3-YEAR PERIOD FOR LOSSES  
27 WHERE THE INSURED WAS DETERMINED NOT TO BE AT FAULT FOR THE LOSS; OR

28 (II) REFUSE TO UNDERWRITE A PRIVATE PASSENGER MOTOR  
29 VEHICLE RISK BECAUSE THE APPLICANT MADE TWO OR FEWER CLAIMS WITHIN A  
30 3-YEAR PERIOD FOR LOSSES WHERE THE APPLICANT WAS DETERMINED NOT TO BE  
31 AT FAULT FOR THE LOSS.

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