

HOUSE BILL 1236

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2002 Regular Session
2lr2578
CF 2lr2733

By: **Delegate Brown**
Introduced and read first time: February 11, 2002
Assigned to: Rules and Executive Nominations
Re-referred to: Economic Matters, February 18, 2002

Committee Report: Favorable with amendments
House action: Adopted
Read second time: March 23, 2002

CHAPTER _____

1 AN ACT concerning

2 **Homeowner's Insurance - Perpetual Policies Risks and Classes of Risks -**
3 **Cancellation**

4 FOR the purpose of prohibiting an insurer from canceling a ~~perpetual~~ certain
5 insurance risk or class of risk if the provisions of the policy of homeowner's
6 insurance because of a claim that occurred before a certain time; and generally
7 relating to the cancellation of perpetual policies of homeowner's insurance
8 require a onetime deposit for a stated amount of coverage except under certain
9 circumstances.

10 ~~BY repealing and reenacting, with amendments,~~
11 ~~Article - Insurance~~
12 ~~Section 27-501(d)(2)~~
13 ~~Annotated Code of Maryland~~
14 ~~(1997 Volume and 2001 Supplement)~~

15 BY adding to
16 Article - Insurance
17 Section 27-501(a)(3)
18 Annotated Code of Maryland
19 (1997 Replacement Volume and 2001 Supplement)

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

1

Article - Insurance

2 27-501.

3 (d) (2) (i) IN THIS PARAGRAPH, "PERPETUAL POLICY" MEANS A POLICY
4 THAT:

5 1. REQUIRES A ONE TIME DEPOSIT WITH A GUARANTEED
6 RETURN OF THE DEPOSIT ON TERMINATION OF THE POLICY;

7 2. HAS AN EFFECTIVE DATE BUT NO EXPIRATION DATE; AND

8 3. HAS A CONSTANT RATE PER THOUSAND FOR ANY
9 INCREASE IN COVERAGE.

10 (H) With respect to homeowner's insurance, an insurer may not:

11 [(i)] 1. cancel, refuse to renew, or otherwise terminate coverage
12 for a homeowner's insurance risk because of a claim that occurred more than 3 years
13 before the effective date of the policy or renewal; [or

14 (ii)] 2. refuse to underwrite a homeowner's insurance risk
15 because of a claim that occurred more than 3 years before the date of application; OR

16 3. CANCEL A PERPETUAL POLICY OF HOMEOWNER'S
17 INSURANCE BECAUSE OF A CLAIM THAT OCCURRED MORE THAN 5 YEARS BEFORE
18 THE EFFECTIVE DATE OF THE PERPETUAL POLICY.

19 (a) (3) AN INSURER MAY NOT CANCEL A PARTICULAR INSURANCE RISK OR
20 CLASS OF RISK IF THE PROVISIONS OF THE POLICY REQUIRE A ONETIME DEPOSIT
21 FOR A STATED AMOUNT OF COVERAGE, UNLESS:

22 (I) THE CANCELLATION IS IN ACCORDANCE WITH THE
23 PROVISIONS OF THIS SUBTITLE; AND

24 (II) THE CANCELLATION TAKES EFFECT ON THE ANNIVERSARY
25 DATE OF THE INCEPTION OF THE POLICY.

26 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
27 October ~~July~~ 1, 2002.