

SENATE BILL 807

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2002 Regular Session
2lr2733
CF 2lr2578

By: **Senator DeGrange**

Introduced and read first time: February 13, 2002

Assigned to: Rules

A BILL ENTITLED

1 AN ACT concerning

2 **Homeowner's Insurance - Perpetual Policies - Cancellation**

3 FOR the purpose of prohibiting an insurer from canceling a perpetual policy of
4 homeowner's insurance because of a claim that occurred before a certain time;
5 and generally relating to the cancellation of perpetual policies of homeowner's
6 insurance.

7 BY repealing and reenacting, with amendments,
8 Article - Insurance
9 Section 27-501(d)(2)
10 Annotated Code of Maryland
11 (1997 Volume and 2001 Supplement)

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

14 **Article - Insurance**

15 27-501.

16 (d) (2) (I) IN THIS PARAGRAPH, "PERPETUAL POLICY" MEANS A POLICY
17 THAT:

18 1. REQUIRES A ONE-TIME DEPOSIT WITH A GUARANTEED
19 RETURN OF THE DEPOSIT ON TERMINATION OF THE POLICY;

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

21 3. HAS A CONSTANT RATE PER THOUSAND FOR ANY
22 INCREASE IN COVERAGE.

23 (II) With respect to homeowner's insurance, an insurer may not:

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

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

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

6 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
7 October 1, 2002.