

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
Re-referred to: Finance, February 15, 2002

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: March 22, 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 one-time 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 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 (a) (3) AN INSURER MAY NOT CANCEL A PARTICULAR INSURANCE RISK OR
 4 CLASS OF RISK IF THE PROVISIONS OF THE POLICY REQUIRE A ONE-TIME DEPOSIT
 5 FOR A STATED AMOUNT OF COVERAGE UNLESS:

6 (I) THE CANCELLATION IS IN ACCORDANCE WITH THE
 7 PROVISIONS OF THIS SUBTITLE; AND

8 (II) THE CANCELLATION TAKES EFFECT ON THE ANNIVERSARY
 9 DATE OF THE INCEPTION OF THE POLICY.

10 (d) (2) (I) ~~IN THIS PARAGRAPH, "PERPETUAL POLICY" MEANS A POLICY~~
 11 ~~THAT:~~

12 1. ~~REQUIRES A ONE TIME DEPOSIT WITH A GUARANTEED~~
 13 ~~RETURN OF THE DEPOSIT ON TERMINATION OF THE POLICY;~~

14 2. ~~HAS AN EFFECTIVE DATE BUT NO EXPIRATION DATE; AND~~

15 3. ~~HAS A CONSTANT RATE PER THOUSAND FOR ANY~~
 16 ~~INCREASE IN COVERAGE.~~

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

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

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

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

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