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25 companies; and

2004 Regular Session 4lr2344 CF 4lr2508

By: Delegates Taylor and Feldman Introduced and read first time: February 6, 2004 Assigned to: Economic Matters A BILL ENTITLED 1 AN ACT concerning 2 **Insurance - Termination of Agency Agreement - Cancellation of Policies** 3 FOR the purpose of authorizing certain insurers to cancel certain insurance policies of certain insurance producers under certain circumstances; and generally relating 4 5 to insurance and the cancellation of insurance policies. 6 BY repealing and reenacting, with amendments, Article - Insurance 7 8 Section 27-503 Annotated Code of Maryland 9 10 (2002 Replacement Volume and 2003 Supplement) 11 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF 12 MARYLAND, That the Laws of Maryland read as follows: **Article - Insurance** 13 14 27-503. 15 (a) An insurer may not cancel a written agreement with an insurance producer about insurance or refuse to accept insurance business from the insurance producer unless the insurer complies with this section. 18 (b) (1) This subsection does not apply to: 19 policies of life insurance, health insurance, surety insurance, 20 wet marine and transportation insurance, and title insurance; or 21 insurance producers or policies of a company or group of (ii) 22 companies represented by insurance producers who by contractual agreement 23 represent only that company or group of companies if: 24 1. the business is owned by the company or group of

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1 2. the cancellation of any contractual agreement does not 2 result in the cancellation or refusal to renew any policies. 3 If an insurer intends to cancel a written agreement with an insurance 4 producer or intends to refuse a class of renewal business from an insurance producer, 5 the insurer shall give the insurance producer at least 90 days' written notice. 6 Notwithstanding any provision of the agreement to the contrary, the (3) 7 insurer shall continue for at least 2 years after termination of the agency agreement 8 to renew through the insurance producer any of the policies that have not been 9 replaced with other insurers as expirations occur. NOTWITHSTANDING ANY PROVISION OF THE AGREEMENT TO THE 10 11 CONTRARY, AN INSURER MAY CANCEL OR REFUSE TO RENEW A POLICY THAT HAS 12 NOT BEEN REPLACED WITH ANOTHER INSURER 3 YEARS AFTER TERMINATION OF 13 THE AGENCY AGREEMENT. 14 (c) [An] EXCEPT AS PROVIDED IN SUBSECTION (B)(4) OF THIS SECTION, AN 15 insurer may not cancel or refuse to renew a policy of the insured because of the 16 termination of the insurance producer's contract. 17 Notwithstanding any other provision of this section, an insurer may not 18 cancel or amend a written agreement with an insurance producer or refuse to accept business from the insurance producer if the cancellation, amendment, or refusal is 20 arbitrary, capricious, unfair, or discriminatory or is based wholly or partly on the race, 21 creed, color, sex, religion, national origin, or place of residency of the insurance 22 producer or the applicants or policyholders of the insurance producer. 23 If an insurer or insurance producer that accepts business from an 24 insurance producer acting on behalf of an insured or prospective insured rejects the 25 business of an insurance producer acting on behalf of an insured or prospective 26 insured, the insurer or insurance producer shall give to the Commissioner and the 27 insurance producer acting on behalf of an insured or prospective insured, on request 28 of that insurance producer, the reasons for the rejection in writing. 29 (f) An insurer may not cancel or amend a written agreement with an 30 insurance producer about property insurance or casualty insurance because of an 31 adverse loss ratio experience on the insurance producer's book of business if: the insurer required the insurance producer to submit the application 32 33 for underwriting approval, all material information on the application was completed, 34 and the insurance producer did not omit or alter any information provided by the 35 applicant; or 36 (2) the insurer accepted, without prior approval, policies issued by the 37 insurance producer, if all material information on the application for the policy or on 38 the insurer's copy of any policy issued by the insurance producer was completed and 39 the insurance producer did not omit or alter any information provided by the 40 applicant.

- SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect 2 October 1, 2004.