

*ENROLLED BILL*  
*-- Finance/Economic Matters --*

Introduced by **Chairman, Finance Committee (By Request - Departmental - Insurance Administration, Maryland)**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

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Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this  
\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_ M.

\_\_\_\_\_  
President.

CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Insurance - Workers' Compensation - Cancellation or Nonrenewal of**  
3 **Policies**

4 FOR the purpose of clarifying certain provisions relating to the nonrenewal of  
5 workers' compensation policies; requiring an insurer to give a certain notice to  
6 certain employers at least a certain number of days before cancellation of a  
7 workers' compensation policy for nonpayment of premium; requiring that a  
8 notice be mailed in a certain manner; requiring that a certain notice state a  
9 certain reason for cancellation or nonrenewal; prohibiting the Maryland  
10 Insurance Commissioner from disallowing a certain action under certain  
11 circumstances; requiring an insurer to file a copy of certain notices with the  
12 State Workers' Compensation Commission's designee; altering the  
13 time at which a certain notice of cancellation of a workers' compensation policy  
14 must be served on the policyholder and submitted to a certain person; requiring  
15 the Board for the Injured Workers' Insurance Fund to submit a copy of certain  
16 notices to the Commission's designee; and generally relating to workers'

1 compensation insurance.

2 BY repealing and reenacting, with amendments,  
3 Article - Insurance  
4 Section 19-406  
5 Annotated Code of Maryland  
6 (2002 Replacement Volume and 2004 Supplement)

7 BY repealing and reenacting, with amendments,  
8 Article - Labor and Employment  
9 Section 10-133(b) and 10-135(d)  
10 Annotated Code of Maryland  
11 (1999 Replacement Volume and 2004 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 19-406.

16 (a) [An] EXCEPT FOR A CANCELLATION FOR NONPAYMENT OF PREMIUM, AN  
17 insurer may not cancel OR REFUSE TO RENEW a workers' compensation insurance  
18 policy before its expiration unless, at least 30 days before the date of cancellation OR  
19 NONRENEWAL, the insurer:

20 (1) serves on the employer, by personal service or certified mail  
21 addressed to the last known address of the employer, a notice of intention to cancel OR  
22 NONRENEW the policy; and

23 (2) files a copy of the notice with the State Workers' Compensation  
24 ~~Commission~~ COMMISSION'S DESIGNEE.

25 (b) Notice under this section may be given:

26 (1) if the employer is a corporation, to an agent or officer of the  
27 corporation on whom legal process may be served; and

28 (2) if the employer is a partnership, to a partner.

29 (c) Notice under this section shall state when the cancellation OR  
30 NONRENEWAL takes effect.

31 (d) Whenever an employer receives a notice under this section, the employer  
32 immediately shall secure coverage in accordance with § 9-402 of the Labor and  
33 Employment Article that will be in effect when the cancellation takes effect.

1 ~~(E)~~ (1) THE NOTICE SHALL STATE THE INSURER'S ACTUAL REASON FOR  
 2 PROPOSING THE CANCELLATION OR NONRENEWAL OF THE POLICY.

3 (2) THE COMMISSIONER MAY NOT DISALLOW A PROPOSED ACTION OF  
 4 AN INSURER BECAUSE THE STATEMENT OF ACTUAL REASON CONTAINS:

5 (I) GRAMMATICAL, TYPOGRAPHICAL, OR OTHER ERRORS, IF THE  
 6 ERRORS ARE NOT MATERIAL TO THE PROPOSED ACTION AND ARE NOT MISLEADING;

7 (II) SURPLUS INFORMATION, IF THE SURPLUS INFORMATION IS  
 8 NOT MISLEADING; OR

9 (III) ERRONEOUS INFORMATION, IF IN THE ABSENCE OF THE  
 10 ERRONEOUS INFORMATION THERE IS A SUFFICIENT BASIS TO SUPPORT THE  
 11 PROPOSED ACTION.

12 ~~(E)~~ (F) (1) AT LEAST 10 DAYS BEFORE THE DATE OF CANCELLATION OF A  
 13 WORKERS' COMPENSATION INSURANCE POLICY FOR NONPAYMENT OF PREMIUM,  
 14 THE INSURER SHALL SEND TO THE EMPLOYER, BY ~~CERTIFIED MAIL~~ CERTIFICATE OF  
 15 ~~MAILING MAIL~~, A WRITTEN NOTICE OF THE INTENTION TO CANCEL FOR  
 16 NONPAYMENT OF PREMIUM.

17 (2) AN INSURER SHALL FILE A COPY OF THE NOTICE SENT UNDER  
 18 SUBSECTION ~~(E)~~(+ (F)(1) WITH THE STATE WORKERS' COMPENSATION ~~COMMISSION~~  
 19 COMMISSION'S DESIGNEE.

### 20 Article - Labor and Employment

21 10-133.

22 (b) (1) Subject to paragraph (2) of this subsection, the Board, the President  
 23 of the Fund, or the Executive Vice President of the Fund may:

24 (i) cancel the insurance of a policyholder who fails to pay a  
 25 premium due to the Fund; and

26 (ii) refer to the Attorney General, for collection, the debt of any  
 27 policyholder whose insurance is being cancelled under this paragraph.

28 (2) At least [30] 10 days before the date set for cancellation of insurance  
 29 under this subsection, the Board shall:

30 (i) serve on the policyholder, by personal service or by certified or  
 31 registered mail sent to the last known resident address of the policyholder, a notice of  
 32 intention to cancel insurance; and

33 (ii) submit a copy of the notice to the Workers' Compensation  
 34 [Commission] COMMISSION'S DESIGNEE.

35 (3) Notice under this subsection may be given:

1                   (i)     for a policyholder that is a corporation, to an official or other  
2 agent of the corporation on whom legal process may be served; and

3                   (ii)    for a policyholder that is a partnership, to any partner.

4                   (4)     Notice under this subsection shall state the date on which the  
5 cancellation is to become effective.

6                   (5)     Whenever a debt is referred under this subsection for collection, the  
7 insurance may not be reinstated until the debt is paid in full.

8 10-135.

9           (d)     (1)     Subject to paragraph (2) of this subsection, the Board, the President  
10 of the Fund, or the Executive Vice President of the Fund may cancel the insurance of  
11 a policyholder who:

12                   (i)     fails to comply with subsection (b) of this section; or

13                   (ii)    refuses to allow an inspection authorized under subsection (c) of  
14 this section.

15                   (2)     At least 30 days before the date set for cancellation of insurance  
16 under this subsection, the Board shall:

17                   (i)     serve on the policyholder, by personal service or by certified or  
18 registered mail sent to the last known resident address of the policyholder, a notice of  
19 intention to cancel insurance; and

20                   (ii)    submit a copy of the notice to the Workers' Compensation  
21 [Commission] COMMISSION'S DESIGNEE.

22                   (3)     Notice under this subsection may be given:

23                   (i)     for a policyholder that is a corporation, to an official or other  
24 agent of the corporation on whom legal process may be served; and

25                   (ii)    for a policyholder that is a partnership, to any partner.

26                   (4)     Notice under this subsection shall state the date on which the  
27 cancellation is to become effective.

28     SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take  
29 effect October 1, 2005.

