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

Introduced and read first time: January 19, 2005

Rules suspended

Assigned to: Finance

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 23, 2005

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 certain notice state a certain reason for cancellation or nonrenewal; prohibiting
 9 the Maryland Insurance Commissioner from disallowing a certain action under
 10 certain circumstances; requiring an insurer to file a copy of certain notices with
 11 the State Workers' Compensation ~~Commission~~ Commission's designee; altering
 12 the time at which a certain notice of cancellation of a workers' compensation
 13 policy must be served on the policyholder and submitted to a certain person;
 14 requiring the Board for the Injured Workers' Insurance Fund to submit a copy of
 15 certain notices to the Commission's designee; and generally relating to workers'
 16 compensation insurance.

17 BY repealing and reenacting, with amendments,
 18 Article - Insurance
 19 Section 19-406
 20 Annotated Code of Maryland
 21 (2002 Replacement Volume and 2004 Supplement)

22 BY repealing and reenacting, with amendments,
 23 Article - Labor and Employment

1 Section 10-133(b) and 10-135(d)
2 Annotated Code of Maryland
3 (1999 Replacement Volume and 2004 Supplement)

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

6 **Article - Insurance**

7 19-406.

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

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

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

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

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

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

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

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

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

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

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

32 (II) SURPLUS INFORMATION, IF THE SURPLUS INFORMATION IS
33 NOT MISLEADING; OR

1 (III) ERRONEOUS INFORMATION, IF IN THE ABSENCE OF THE
 2 ERRONEOUS INFORMATION THERE IS A SUFFICIENT BASIS TO SUPPORT THE
 3 PROPOSED ACTION.

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

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

12 **Article - Labor and Employment**

13 10-133.

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

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

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

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

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

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

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

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

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

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

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

1 10-135.

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

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

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

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

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

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

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

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

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

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

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