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By: **Delegate McKee**

Introduced and read first time: February 9, 2006

Assigned to: Economic Matters

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A BILL ENTITLED

1 AN ACT concerning

2                   **Homeowner's Insurance - Cancellation or Nonrenewal of Policies - Right to**  
3                   **Protest Proposed Action**

4 FOR the purpose of providing that, if an insurer gives a certain notice to an insured  
5 that the insurer intends to cancel or not to renew a policy of homeowner's  
6 insurance, the notice shall state certain information in a certain manner;  
7 authorizing an insured to protest the proposed action of the insurer by signing a  
8 copy of the notice and sending it to the Maryland Insurance Commissioner  
9 within a certain time period after the date of the notice; requiring the  
10 Commissioner to notify the insurer of the filing of the protest; providing that a  
11 protest filed with the Commissioner stays the proposed action of the insurer  
12 pending a final determination of the Commissioner; requiring an insurer to  
13 maintain in effect the coverage and premium in effect on a certain day under  
14 certain circumstances; requiring the Commissioner, based on the information  
15 contained in the notice, to determine whether the protest has merit and dismiss  
16 the protest or disallow the proposed action of the insurer; requiring the  
17 Commissioner to give certain notice of the Commissioner's action to the insurer  
18 and the insured; requiring the notice given to the insured to be mailed in a  
19 certain manner and to contain a certain statement; providing that a party  
20 aggrieved by the Commissioner's action may request a hearing; requiring the  
21 hearing to be conducted in accordance with certain provisions of law; providing  
22 for the application of this Act; and generally relating to the cancellation or  
23 nonrenewal of homeowner's insurance policies.

24 BY repealing and reenacting, with amendments,  
25 Article - Insurance  
26 Section 27-601  
27 Annotated Code of Maryland  
28 (2002 Replacement Volume and 2005 Supplement)

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

**Article - Insurance**

1  
2 27-601.

3 (a) This section does not apply to policies of:

4 (1) life insurance;

5 (2) health insurance;

6 (3) motor vehicle liability insurance issued to a resident of a household  
7 in the State as set forth in § 27-605 of this subtitle; or

8 (4) surety insurance.

9 (b) (1) Whenever an insurer, as required by subsection (c) of this section,  
10 gives notice of its intention to cancel or not to renew a policy subject to this section  
11 issued in the State or before an insurer cancels a policy subject to this section issued  
12 in the State for a reason other than nonpayment of premium, the insurer shall notify  
13 the insured of the possible right of the insured to replace the insurance under the  
14 Maryland Property Insurance Availability Act or through another plan for which the  
15 insured may be eligible.

16 (2) The notice required by paragraph (1) of this subsection must:

17 (i) be in writing;

18 (ii) contain the current address and telephone number of the offices  
19 of the appropriate plan; and

20 (iii) be sent to the insured in the same manner and at the same time  
21 as the first written notice of cancellation or of intention not to renew given or required  
22 by law, regulation, or contract.

23 (c) (1) At least 45 days before the date of the proposed cancellation or  
24 expiration of the policy, the insurer shall cause to be sent to the insured, by certificate  
25 of mailing, a written notice of intention to cancel for a reason other than nonpayment  
26 of premium or notice of intention not to renew a policy issued in the State.

27 (2) Notice given to the insured by an insurance producer on behalf of the  
28 insurer is deemed to have been given by the insurer for purposes of this subsection.

29 (3) Notwithstanding paragraph (2) of this subsection, no notice is  
30 required under this section if the insurance producer has replaced the insurance.

31 (d) At least 10 days before the date an insurer proposes to cancel a policy for  
32 nonpayment of premium, the insurer shall cause to be sent to the insured, by  
33 certificate of mailing, a written notice of intention to cancel for nonpayment of  
34 premium.

1 (E) (1) THIS SUBSECTION APPLIES ONLY TO HOMEOWNER'S INSURANCE  
2 POLICIES.

3 (2) IF AN INSURER GIVES NOTICE UNDER SUBSECTION (C) OF THIS  
4 SECTION OF THE INSURER'S INTENT TO CANCEL OR NOT TO RENEW A POLICY OF  
5 HOMEOWNER'S INSURANCE, THE NOTICE SHALL STATE IN CLEAR AND SPECIFIC  
6 TERMS:

7 (I) THE ACTUAL REASON OF THE INSURER FOR PROPOSING TO  
8 TAKE THE ACTION;

9 (II) THE RIGHT OF THE INSURED TO PROTEST THE PROPOSED  
10 ACTION OF THE INSURER BY SIGNING A COPY OF THE NOTICE AND SENDING IT TO  
11 THE COMMISSIONER WITHIN 30 DAYS AFTER THE DATE OF THE NOTICE; AND

12 (III) THAT IF A PROTEST IS FILED BY THE INSURED, THE INSURER  
13 MUST MAINTAIN THE CURRENT INSURANCE IN EFFECT UNTIL A FINAL  
14 DETERMINATION IS MADE BY THE COMMISSIONER, SUBJECT TO THE PAYMENT OF  
15 ANY AUTHORIZED PREMIUM DUE OR BECOMING DUE BEFORE THE DETERMINATION.

16 (3) (I) AN INSURED MAY PROTEST A PROPOSED ACTION OF AN  
17 INSURER UNDER THIS SUBSECTION BY SIGNING A COPY OF THE NOTICE GIVEN BY  
18 THE INSURER UNDER SUBSECTION (C) OF THIS SECTION AND SENDING IT TO THE  
19 COMMISSIONER WITHIN 30 DAYS AFTER THE DATE OF THE NOTICE.

20 (II) ON RECEIPT OF A PROTEST, THE COMMISSIONER SHALL  
21 NOTIFY THE INSURER OF THE FILING OF THE PROTEST.

22 (III) A PROTEST FILED WITH THE COMMISSIONER STAYS THE  
23 PROPOSED ACTION OF THE INSURER PENDING A FINAL DETERMINATION BY THE  
24 COMMISSIONER.

25 (IV) THE INSURER SHALL MAINTAIN IN EFFECT THE SAME  
26 COVERAGE AND PREMIUM THAT WERE IN EFFECT ON THE DAY THE NOTICE OF  
27 PROPOSED ACTION WAS SENT TO THE INSURED UNTIL A FINAL DETERMINATION IS  
28 MADE, SUBJECT TO THE PAYMENT OF ANY AUTHORIZED PREMIUM DUE OR  
29 BECOMING DUE BEFORE THE DETERMINATION.

30 (4) (I) BASED ON THE INFORMATION CONTAINED IN THE NOTICE, THE  
31 COMMISSIONER SHALL:

32 1. DETERMINE WHETHER THE PROTEST BY THE INSURED  
33 HAS MERIT; AND

34 2. DISMISS THE PROTEST OR DISALLOW THE PROPOSED  
35 ACTION OF THE INSURER.

36 (II) THE COMMISSIONER SHALL NOTIFY THE INSURER AND THE  
37 INSURED OF THE ACTION OF THE COMMISSIONER PROMPTLY IN WRITING.

1 (III) NOTICE TO THE INSURED UNDER THIS PARAGRAPH SHALL:

2 1. BE SENT BY CERTIFIED MAIL; AND

3 2. INCLUDE A STATEMENT OF THE RIGHT OF THE INSURED,  
4 UNDER SUBPARAGRAPH (IV) OF THIS PARAGRAPH, TO REQUEST A HEARING WITHIN  
5 30 DAYS AFTER THE DATE OF THE COMMISSIONER'S NOTICE OF ACTION.

6 (IV) WITHIN 30 DAYS AFTER THE DATE OF THE COMMISSIONER'S  
7 NOTICE OF ACTION, THE AGGRIEVED PARTY MAY REQUEST A HEARING.

8 (5) A HEARING HELD UNDER THIS SUBSECTION SHALL BE CONDUCTED  
9 IN ACCORDANCE WITH TITLE 10, SUBTITLE 2 OF THE STATE GOVERNMENT ARTICLE.

10 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
11 October 1, 2006.