

HOUSE BILL 634

C4

7lr2082
CF SB 588

By: **Delegate Feldman**

Introduced and read first time: February 8, 2007

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 7, 2007

CHAPTER _____

1 AN ACT concerning

2 **Insurance – Binders or Policies – Personal Insurance**

3 FOR the purpose of providing that certain provisions of law regarding binders or
4 policies are applicable to personal insurance; altering certain notice
5 requirements for cancellation of a certain binder or policy for nonpayment of
6 premium; defining a certain term; providing for the application of this Act; and
7 generally relating to binders and policies of personal insurance.

8 BY repealing and reenacting, with amendments,
9 Article – Insurance
10 Section 12–106
11 Annotated Code of Maryland
12 (2003 Replacement Volume and 2006 Supplement)

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

15 **Article – Insurance**

16 12–106.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



(a) IN THIS SECTION, "PERSONAL INSURANCE" MEANS PROPERTY INSURANCE OR CASUALTY INSURANCE ISSUED TO AN INDIVIDUAL, TRUST, ESTATE, OR SIMILAR ENTITY THAT IS INTENDED TO INSURE AGAINST LOSS ARISING PRINCIPALLY FROM THE PERSONAL, NONCOMMERCIAL ACTIVITIES OF THE INSURED.

(B) This section applies only to a binder or policy, other than a renewal policy, of:

~~(1) private passenger motor vehicle, homeowners, dwelling, credit loss, or PERSONAL INSURANCE, commercial property insurance, or liability AND COMMERCIAL LIABILITY insurance; AND~~

~~(2) PERSONAL INSURANCE.~~

[(b)] (C) A binder or policy is subject to a 45-day underwriting period beginning on the effective date of coverage.

[(c)] (D) An insurer may cancel a binder or policy during the underwriting period if the risk does not meet the underwriting standards of the insurer.

[(d)] (E) If applicable, at the time of application or when a binder or policy is issued, an insurer shall provide written notice of its ability to cancel a binder or policy during the underwriting period.

[(e)] (F) (1) A EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, A notice of cancellation under this section shall:

~~(1)~~ (I) be in writing;

~~(2)~~ (II) have an effective date not less than 15 days after mailing; and

~~(3)~~ (III) state clearly and specifically the insurer's actual reason for the cancellation.

(2) A NOTICE OF CANCELLATION UNDER THIS SECTION FOR NONPAYMENT OF PREMIUM SHALL:

(I) BE IN WRITING;

1 **(II) HAVE AN EFFECTIVE DATE OF NOT LESS THAN 10 DAYS**
2 **AFTER MAILING;**

3 **(III) STATE THE INSURER'S INTENT TO CANCEL FOR**
4 **NONPAYMENT OF PREMIUM; AND**

5 **(IV) BE SENT BY CERTIFICATE OF MAIL.**

6 **[(f)] (G)** A binder or other contract for temporary insurance:

7 (1) may be made orally or in writing; and

8 (2) except as superseded by the clear and express terms of the binder,
9 is considered to include:

10 (i) all the usual terms of the policy as to which the binder was
11 given; and

12 (ii) the applicable endorsements designated in the binder.

13 **[(g)] (H)** A binder is no longer valid after the policy as to which it was given
14 is issued.

15 **[(h)] (I)** (1) If a binder is given to a consumer borrower to satisfy a
16 lender's requirement that the borrower obtain property insurance or credit loss
17 insurance as a condition of making a loan secured by a first mortgage or first deed of
18 trust on an interest in owner-occupied residential real property, the insurer or its
19 insurance producer shall include in or with the binder:

20 (i) the name and address of the insured consumer borrower;

21 (ii) the name and address of the lender;

22 (iii) a description of the insured residential real property;

23 (iv) a provision that the binder may not be canceled within the
24 term of the binder unless the lender and the insured borrower receive written notice at
25 least 15 days before the cancellation;

26 (v) except in the case of the renewal of a policy after the closing
27 of a loan, a paid receipt for the full amount of the applicable premium; and

1 (vi) the amount of coverage.

2 (2) With respect to a binder given under this subsection, an insurer:

3 (i) if the binder is to be canceled, shall give the lender and the
4 insured consumer borrower at least 15 days' written notice before the cancellation; and

5 (ii) within 45 days after the date the binder was given, shall
6 issue a policy of insurance or provide the required notice of cancellation of the binder.

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be
8 construed to apply to all binders or policies of personal insurance issued or delivered
9 on or after the effective date of this Act.

10 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
11 October 1, 2007.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.