

SENATE BILL 588

C4

71r2136
CF 71r2082

By: **Senator Garagiola**

Introduced and read first time: February 2, 2007

Assigned to: Finance

A BILL ENTITLED

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; defining a certain term; providing
5 for the application of this Act; and generally relating to binders and policies of
6 personal insurance.

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

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

3 **(1)** private passenger motor vehicle, homeowners, dwelling, credit
4 loss, or commercial property insurance or liability insurance; **AND**

5 **(2) PERSONAL INSURANCE.**

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

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

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

13 **[(e)](F)** A notice of cancellation under this section shall:

14 (1) be in writing;

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

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

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

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

20 (2) except as superseded by the clear and express terms of the binder,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

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

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

25 **[(g)](H)** A binder is no longer valid after the policy as to which it was given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

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

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

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

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

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

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

14 (vi) the amount of coverage.

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

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

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

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

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