

# CHAPTER 338

## (Senate Bill 588)

AN ACT concerning

### **Insurance – Binders or Policies – Personal Insurance**

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

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

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

### **Article – Insurance**

12-106.

(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;**

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

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

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

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

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

(2) except as superseded by the clear and express terms of the binder, is considered to include:

- (i) all the usual terms of the policy as to which the binder was given; and
- (ii) the applicable endorsements designated in the binder.

[(g)] (H) A binder is no longer valid after the policy as to which it was given is issued.

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

- (i) the name and address of the insured consumer borrower;
- (ii) the name and address of the lender;
- (iii) a description of the insured residential real property;
- (iv) a provision that the binder may not be canceled within the term of the binder unless the lender and the insured borrower receive written notice at least 15 days before the cancellation;
- (v) except in the case of the renewal of a policy after the closing of a loan, a paid receipt for the full amount of the applicable premium; and
- (vi) the amount of coverage.

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

- (i) if the binder is to be canceled, shall give the lender and the insured consumer borrower at least 15 days' written notice before the cancellation; and
- (ii) within 45 days after the date the binder was given, shall issue a policy of insurance or provide the required notice of cancellation of the binder.

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

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

**Approved by the Governor, May 8, 2007.**