

HOUSE BILL 750

C4

8lr0050

By: **Chair, Economic Matters Committee (By Request - Departmental - Insurance Administration, Maryland)**

Introduced and read first time: February 4, 2008

Assigned to: Economic Matters

Committee Report: Favorable

House action: Adopted

Read second time: February 20, 2008

CHAPTER _____

1 AN ACT concerning

2 **Insurance - Notice of Cancellation of Binders or Policies - Certificate of Mail**

3 FOR the purpose of requiring that a certain notice of cancellation of certain binders or
4 policies of insurance be sent by certificate of mail; and generally relating to
5 cancellations of binders or policies of insurance.

6 BY repealing and reenacting, with amendments,

7 Article - Insurance

8 Section 12-106

9 Annotated Code of Maryland

10 (2003 Replacement Volume and 2007 Supplement)

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

13 **Article - Insurance**

14 12-106.

15 (a) In this section, "personal insurance" means property insurance or
16 casualty insurance issued to an individual, trust, estate, or similar entity that is
17 intended to insure against loss arising principally from the personal, noncommercial
18 activities of the insured.

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.



1 (b) This section applies only to a binder or policy, other than a renewal
2 policy, of personal insurance, commercial property insurance, and commercial liability
3 insurance.

4 (c) A binder or policy is subject to a 45-day underwriting period beginning
5 on the effective date of coverage.

6 (d) An insurer may cancel a binder or policy during the underwriting period
7 if the risk does not meet the underwriting standards of the insurer.

8 (e) If applicable, at the time of application or when a binder or policy is
9 issued, an insurer shall provide written notice of its ability to cancel a binder or policy
10 during the underwriting period.

11 (f) (1) Except as provided in paragraph (2) of this subsection, a notice of
12 cancellation under this section shall:

13 (i) be in writing;

14 (ii) have an effective date not less than 15 days after mailing;
15 [and]

16 (iii) state clearly and specifically the insurer's actual reason for
17 the cancellation; **AND**

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

19 (2) A notice of cancellation under this section for nonpayment of
20 premium shall:

21 (i) be in writing;

22 (ii) have an effective date of not less than 10 days after mailing;

23 (iii) state the insurer's intent to cancel for nonpayment of
24 premium; and

25 (iv) be sent by certificate of mail.

26 (g) A binder or other contract for temporary insurance:

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

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

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

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

4 (h) A binder is no longer valid after the policy as to which it was given is
5 issued.

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

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

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

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

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

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

19 (vi) the amount of coverage.

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

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

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

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
26 October 1, 2008.