

HOUSE BILL 1581

C4

8lr3175

By: **Delegates Harrison, Carter, Oaks, Robinson, Stukes, and Taylor**

Introduced and read first time: February 29, 2008

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Private Passenger Motor Vehicle Insurance, Homeowner's Insurance, and**
3 **Personal Insurance – Renewals of Policies – Transfers of Policyholders**
4 **Between Insurers**

5 FOR the purpose of providing that, with respect to private passenger motor vehicle
6 insurance policies and homeowner's insurance policies, the transfer of a
7 policyholder between certain insurers within a certain insurance holding
8 company system is a renewal under certain circumstances; providing that, with
9 respect to certain policies of personal insurance and private passenger motor
10 vehicle liability insurance, the issuance by an insurer of a new policy to replace
11 an expiring policy issued by that insurer is a renewal; providing that, with
12 respect to certain policies of personal insurance and private passenger motor
13 vehicle liability insurance, the issuance by an insurer of a new policy to replace
14 an expiring policy issued by another admitted insurer within a certain
15 insurance holding company system is a renewal under certain circumstances;
16 requiring, for certain policies of personal insurance and private passenger motor
17 vehicle liability insurance, that certain notice of the transfer of a policyholder
18 between certain admitted insurers be provided under certain circumstances;
19 providing for the application of this Act; and generally relating to transfers of
20 policyholders between insurers and renewals of policies of private passenger
21 motor vehicle insurance, homeowner's insurance, and personal insurance.

22 BY repealing and reenacting, without amendments,
23 Article – Insurance
24 Section 27–501(a)
25 Annotated Code of Maryland
26 (2006 Replacement Volume and 2007 Supplement)

27 BY adding to
28 Article – Insurance
29 Section 27–501(q) and 27–601.1

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Annotated Code of Maryland
2 (2006 Replacement Volume and 2007 Supplement)

3 BY repealing and reenacting, with amendments,
4 Article – Insurance
5 Section 27–610
6 Annotated Code of Maryland
7 (2006 Replacement Volume and 2007 Supplement)

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

10 **Article – Insurance**

11 27–501.

12 (a) (1) An insurer or insurance producer may not cancel or refuse to
13 underwrite or renew a particular insurance risk or class of risk for a reason based
14 wholly or partly on race, color, creed, sex, or blindness of an applicant or policyholder
15 or for any arbitrary, capricious, or unfairly discriminatory reason.

16 (2) Except as provided in this section, an insurer or insurance
17 producer may not cancel or refuse to underwrite or renew a particular insurance risk
18 or class of risk except by the application of standards that are reasonably related to
19 the insurer’s economic and business purposes.

20 **(Q) FOR PURPOSES OF THIS SECTION, WITH RESPECT TO PRIVATE**
21 **PASSENGER MOTOR VEHICLE INSURANCE POLICIES AND HOMEOWNER’S**
22 **INSURANCE POLICIES, THE TRANSFER OF A POLICYHOLDER BETWEEN**
23 **ADMITTED INSURERS WITHIN THE SAME INSURANCE HOLDING COMPANY**
24 **SYSTEM, AS DEFINED IN § 7–101 OF THIS ARTICLE, IS A RENEWAL IF:**

25 **(1) THE POLICYHOLDER’S PREMIUM DOES NOT INCREASE; AND**

26 **(2) THE POLICYHOLDER DOES NOT EXPERIENCE A REDUCTION IN**
27 **COVERAGE.**

28 **27–601.1.**

29 **(A) FOR PURPOSES OF THIS SUBTITLE, WITH RESPECT TO POLICIES OF**
30 **PERSONAL INSURANCE AND PRIVATE PASSENGER MOTOR VEHICLE LIABILITY**
31 **INSURANCE, THE ISSUANCE BY AN INSURER OF A NEW POLICY TO REPLACE AN**
32 **EXPIRING POLICY ISSUED BY THAT INSURER IS A RENEWAL.**

33 **(B) FOR PURPOSES OF THIS SUBTITLE, WITH RESPECT TO POLICIES OF**
34 **PERSONAL INSURANCE AND PRIVATE PASSENGER MOTOR VEHICLE LIABILITY**

1 **INSURANCE, THE ISSUANCE BY AN INSURER OF A NEW POLICY TO REPLACE AN**
2 **EXPIRING POLICY ISSUED BY ANOTHER ADMITTED INSURER WITHIN THE SAME**
3 **INSURANCE HOLDING COMPANY SYSTEM, AS DEFINED IN § 7-101 OF THIS**
4 **ARTICLE, IS A RENEWAL IF:**

5 (1) **THE POLICYHOLDER'S PREMIUM DOES NOT INCREASE; AND**

6 (2) **THE POLICYHOLDER DOES NOT EXPERIENCE A REDUCTION IN**
7 **COVERAGE.**

8 27-610.

9 (a) (1) This section applies only to policies of personal insurance and
10 private passenger motor vehicle liability insurance policies subject to § 27-613 of this
11 subtitle.

12 (2) Unless an insurer has provided notice of its intention not to renew
13 a policy in compliance with this subtitle, the insurer must provide each policyholder
14 with notice of renewal premium due at least 45 days before the due date.

15 (3) **IF A POLICYHOLDER IS BEING TRANSFERRED BETWEEN**
16 **ADMITTED INSURERS WITHIN THE SAME INSURANCE HOLDING COMPANY**
17 **SYSTEM, AS DEFINED IN § 7-101 OF THIS ARTICLE, THE NOTICE REQUIRED**
18 **UNDER PARAGRAPH (2) OF THIS SUBSECTION SHALL INCLUDE DISCLOSURE OF**
19 **THE TRANSFER.**

20 [(3)] (4) A licensed insurance producer may provide notice under
21 paragraph (2) of this subsection on behalf of the insurer.

22 [(4)] (5) The duty to provide notice under paragraph (2) of this
23 subsection is deemed discharged if:

24 (i) the insurer shows that its established procedures would
25 have resulted in placing the notice of renewal premium due in the United States mail;
26 and

27 (ii) there is no showing that in fact the notice was not placed in
28 the mail.

29 (b) If an insurer fails to provide notice of renewal premium due under
30 subsection (a) of this section, and subsequently the policyholder fails to make timely
31 payment of the renewal premium, the insurer must:

32 (1) provide coverage for each claim that:

33 (i) would have been covered under the policy; and

1 (ii) arises within 45 days after the date the insured discovers or
2 should have discovered that the policy was not renewed; and

3 (2) renew the policy on tender of payment within 30 days after the
4 policyholder discovers or should have discovered that the policy was not renewed.

5 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall apply to all
6 policies of private passenger motor vehicle insurance, homeowner's insurance, and
7 personal insurance issued, delivered, or renewed in the State on or after October 1,
8 2008.

9 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
10 October 1, 2008.