

CHAPTER 117

(House Bill 1581)

AN ACT concerning

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

FOR the purpose of providing that, with respect to private passenger motor vehicle insurance policies and homeowner's insurance policies, the transfer of a policyholder between certain insurers within a certain insurance holding company system is a renewal under certain circumstances; providing that, with respect to certain policies of personal insurance and private passenger motor vehicle liability insurance, the issuance by an insurer of a new policy to replace an expiring policy issued by that insurer is a renewal; providing that, with respect to certain policies of personal insurance and private passenger motor vehicle liability insurance, the issuance by an insurer of a new policy to replace an expiring policy issued by another admitted insurer within a certain insurance holding company system is a renewal under certain circumstances; requiring, for certain policies of personal insurance and private passenger motor vehicle liability insurance, that certain notice of the transfer of a policyholder between certain admitted insurers be provided under certain circumstances; providing for the application of this Act; and generally relating to transfers of policyholders between insurers and renewals of policies of private passenger motor vehicle insurance, homeowner's insurance, and personal insurance.

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

BY adding to
Article – Insurance
Section 27–501(q) and 27–601.1
Annotated Code of Maryland
(2006 Replacement Volume and 2007 Supplement)

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

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

Article – Insurance

27–501.

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

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

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

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

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

27–601.1.

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

(B) FOR PURPOSES OF THIS SUBTITLE, WITH RESPECT TO POLICIES OF PERSONAL INSURANCE AND PRIVATE PASSENGER MOTOR VEHICLE LIABILITY INSURANCE, THE ISSUANCE BY AN INSURER OF A NEW POLICY TO REPLACE AN EXPIRING POLICY ISSUED BY ANOTHER ADMITTED INSURER WITHIN THE SAME INSURANCE HOLDING COMPANY SYSTEM, AS DEFINED IN § 7–101 OF THIS ARTICLE, IS A RENEWAL IF:

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

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

27-610.

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

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

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

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

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

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

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

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

(1) provide coverage for each claim that:

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

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

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

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

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

Approved by the Governor, April 8, 2008.