

# HOUSE BILL 165

C4

(91r0047)

## **ENROLLED BILL**

—*Economic Matters / Finance*—

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

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this

\_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_\_ M.

\_\_\_\_\_  
Speaker.

## CHAPTER \_\_\_\_\_

1 AN ACT concerning

### 2 **Insurance - Cancellation of Policies - Limitation on Midterm Cancellations**

3 FOR the purpose of prohibiting an insurer from cancelling a policy of personal  
4 *insurance, a certain policy of homeowner's insurance, a policy of* commercial  
5 *insurance, or a policy of* private passenger motor vehicle liability insurance  
6 midterm ~~unless the insurer makes a certain determination or~~ *except under*  
7 *certain circumstances*; making a certain clarifying change; and generally  
8 relating to cancellations of insurance policies.

9 BY repealing and reenacting, with amendments,  
10 Article - Insurance  
11 Section 27-602, 27-603, and 27-613(b)  
12 Annotated Code of Maryland  
13 (2006 Replacement Volume and 2008 Supplement)

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#### 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.

*Italics* indicate opposite chamber / conference committee amendments.



1 BY repealing and reenacting, without amendments,  
 2 Article – Insurance  
 3 Section 27–613(a)  
 4 Annotated Code of Maryland  
 5 (2006 Replacement Volume and 2008 Supplement)

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

8 **Article – Insurance**

9 27–602.

10 (a) (1) This section applies only to policies of:

11 (I) personal insurance; AND

12 (II) HOMEOWNER’S INSURANCE UNDER WHICH A ONETIME  
 13 GUARANTEED FULLY REFUNDABLE DEPOSIT IS REQUIRED FOR A STATED  
 14 AMOUNT OF COVERAGE.

15 (2) This section does not apply to policies in effect for 45 days or less,  
 16 as provided in § 12–106 of this article.

17 (b) (1) Whenever an insurer, as required by subsection (c) of this section,  
 18 gives notice of its intention to cancel or not to renew a policy subject to this section  
 19 issued in the State or before an insurer cancels a policy subject to this section issued in  
 20 the State for a reason other than nonpayment of premium, the insurer shall notify the  
 21 insured of the possible right of the insured to replace the insurance under the  
 22 Maryland Property Insurance Availability Act or through another plan for which the  
 23 insured may be eligible.

24 (2) The notice required by paragraph (1) of this subsection must:

25 (i) be in writing;

26 (ii) contain the current address and telephone number of the  
 27 offices of the appropriate plan; and

28 (iii) be sent to the insured in the same manner and at the same  
 29 time as the first written notice of cancellation or of intention not to renew given or  
 30 required by law, regulation, or contract.

31 (c) (1) [At] **SUBJECT TO PARAGRAPH (5) OF THIS SUBSECTION, AT**  
 32 least 45 days before the date of the proposed cancellation or expiration of the policy,

1 the insurer shall send to the insured, by certificate of mail, a written notice of  
2 intention to cancel for a reason other than nonpayment of premium or notice of  
3 intention not to renew a policy issued in the State.

4 (2) An insurer shall maintain proof of mailing in a form authorized or  
5 accepted by the United States Postal Service.

6 (3) Notice given to the insured by an insurance producer on behalf of  
7 the insurer is deemed to have been given by the insurer for purposes of this  
8 subsection.

9 (4) Notwithstanding paragraph (3) of this subsection, no notice is  
10 required under this section if the insured has replaced the insurance.

11 (5) **AN INSURER MAY NOT CANCEL A POLICY MIDTERM EXCEPT**  
12 **FOR:**

13 **(I) WHEN ~~THE INSURER HAS DETERMINED THAT THERE~~**  
14 **EXISTS:**

15 **~~(I)~~ 1. A MATERIAL MISREPRESENTATION OR FRAUD IN**  
16 **CONNECTION WITH THE APPLICATION, POLICY, OR PRESENTATION OF A CLAIM;**

17 **~~(II)~~ 2. A MATTER OR ISSUE RELATED TO THE RISK THAT**  
18 **CONSTITUTES A THREAT TO PUBLIC SAFETY; OR**

19 **~~(III)~~ 3. ANY OTHER REASON APPROVED BY THE**  
20 **COMMISSIONER A CHANGE IN THE CONDITION OF THE RISK THAT RESULTS IN**  
21 **AN INCREASE IN THE HAZARD INSURED AGAINST;**

22 **(II) FOR NONPAYMENT OF PREMIUM; OR**

23 **(III) IN THE CASE OF PRIVATE PASSENGER MOTOR VEHICLE**  
24 **LIABILITY INSURANCE, DUE TO THE REVOCATION OR SUSPENSION OF THE**  
25 **DRIVER'S LICENSE OR MOTOR VEHICLE REGISTRATION;**

26 **1. OF THE NAMED INSURED OR COVERED DRIVER**  
27 **UNDER THE POLICY; AND**

28 **2. FOR REASONS RELATED TO THE DRIVING RECORD**  
29 **OF THE NAMED INSURED OR COVERED DRIVER; OR**

30 **(IV) IN THE CASE OF HOMEOWNER'S INSURANCE,**  
31 **CONVICTION OF ARSON.**

1 (d) At least 10 days before the date an insurer proposes to cancel a policy for  
2 nonpayment of premium, the insurer shall send to the insured, by certificate of mail, a  
3 written notice of intention to cancel for nonpayment of premium.

4 27-603.

5 (a) (1) This section applies only to policies of commercial insurance.

6 (2) This section does not apply to:

7 (i) policies in effect for 45 days or less, as provided in § 12-106  
8 of this article; or

9 (ii) policies issued to exempt commercial policyholders under §  
10 11-206 of this article, if the policies provide for written notice of not less than 30 days  
11 of the insurer's intent to cancel or nonrenew.

12 (b) (1) Whenever an insurer, **AS REQUIRED BY SUBSECTION (C) OF**  
13 **THIS SECTION**, gives notice of its intention to cancel or not to renew a policy issued in  
14 this State for a reason other than nonpayment of premium, the insurer shall notify the  
15 insured of the possible right to replace the insurance under the Maryland Property  
16 Insurance Availability Act, through the Maryland Automobile Insurance Fund, or  
17 through another plan for which the insured may be eligible.

18 (2) The notice required by paragraph (1) of this subsection shall:

19 (i) be in writing;

20 (ii) if applicable, include the current address and telephone  
21 number of the offices of the Joint Insurance Association, the Maryland Automobile  
22 Insurance Fund, or other appropriate plan; and

23 (iii) be sent to the insured in the same manner and at the same  
24 time as the first written notice of cancellation or of intention not to renew that is given  
25 or required by law, regulation, or contract.

26 (c) (1) **[At] SUBJECT TO PARAGRAPH (5) OF THIS SUBSECTION, AT**  
27 **least 45 days before the date of the proposed cancellation or expiration of the policy,**  
28 **the insurer shall send to the insured, by certificate of mail or by commercial mail**  
29 **delivery service, written notice of intention to cancel for a reason other than**  
30 **nonpayment of premium or notice of intention not to renew a policy issued in the**  
31 **State.**

32 (2) The insurer shall maintain proof of mailing in a form authorized or  
33 accepted by the United States Postal Service or other commercial mail delivery  
34 service.

1 (3) Notice given to the insured by an insurance producer on behalf of  
 2 the insurer is deemed to have been given by the insurer for the purposes of this  
 3 subsection.

4 (4) No notice is required under this subsection if the insured has  
 5 replaced the insurance.

6 (5) **AN INSURER MAY NOT CANCEL A POLICY MIDTERM EXCEPT**  
 7 **FOR:**

8 (I) WHEN THE INSURER HAS DETERMINED THAT THERE  
 9 EXISTS:

10 ~~(I)~~ 1. A MATERIAL MISREPRESENTATION OR FRAUD IN  
 11 CONNECTION WITH THE APPLICATION, POLICY, OR PRESENTATION OF A CLAIM;

12 ~~(II)~~ 2. A MATTER OR ISSUE RELATED TO THE RISK THAT  
 13 CONSTITUTES A THREAT TO PUBLIC SAFETY; OR

14 ~~(III)~~ 3. ANY OTHER REASON APPROVED BY THE  
 15 COMMISSIONER A CHANGE IN THE CONDITION OF THE RISK THAT RESULTS IN  
 16 AN INCREASE IN THE HAZARD INSURED AGAINST;

17 (II) FOR NONPAYMENT OF PREMIUM; OR

18 (III) DUE TO THE REVOCATION OR SUSPENSION OF THE  
 19 DRIVER'S LICENSE OR MOTOR VEHICLE REGISTRATION:

20 1. OF THE NAMED INSURED OR COVERED DRIVER  
 21 UNDER THE POLICY; AND

22 2. FOR REASONS RELATED TO THE DRIVING RECORD  
 23 OF THE NAMED INSURED OR COVERED DRIVER.

24 (d) At least 10 days before the date an insurer proposes to cancel a policy for  
 25 nonpayment of premium, the insurer shall send to the insured, by certificate of mail, a  
 26 written notice of intention to cancel for nonpayment of premium.

27 (e) (1) If an insurer provides a renewal policy and notice of premium due  
 28 to an insured at least 45 days before the renewal date of the policy and the insured  
 29 fails to make the required payment by the renewal date, the insurer may terminate  
 30 the policy on the renewal date for nonpayment of premium after sending to the  
 31 insured, by certificate of mail, a written offer to reinstate the renewal policy without  
 32 lapse in coverage.

1 (2) An offer to reinstate under this subsection shall provide not less  
2 than 10 days for the insured to make the required premium payment.

3 27–613.

4 (a) (1) This section applies only to private passenger motor vehicle  
5 liability insurance.

6 (2) This section does not apply to the Maryland Automobile Insurance  
7 Fund.

8 (b) (1) In accordance with this section, with respect to a policy of private  
9 passenger motor vehicle liability insurance or a binder of private passenger motor  
10 vehicle liability insurance, if the binder has been in effect for at least 45 days, issued  
11 in the State to any resident of the household of the named insured, an insurer may:

12 (i) cancel or fail to renew the policy or binder; or

13 (ii) reduce coverage under the policy.

14 (2) Notwithstanding paragraph (1) of this subsection, the  
15 requirements of this section do not apply if:

16 (i) the reduction in coverage described in paragraph (1)(ii) of  
17 this subsection is part of a general reduction in coverage approved by the  
18 Commissioner or satisfies the requirements of Title 19, Subtitle 5 of this article; or

19 (ii) the failure to renew the policy takes place under a plan of  
20 withdrawal that:

21 1. is approved by the Commissioner under § 27–606 of  
22 this subtitle; and

23 2. provides that each insured affected by the plan of  
24 withdrawal shall be sent by certificate of mail at least 45 days before the nonrenewal  
25 of the policy a written notice that states the date that the policy will be nonrenewed  
26 and that the nonrenewal is the result of the withdrawal of the insurer from the  
27 market.

28 **(3) NOTWITHSTANDING PARAGRAPH (1) OF THIS SUBSECTION, AN**  
29 **INSURER MAY NOT CANCEL A POLICY MIDTERM EXCEPT FOR:**

30 **(1) WHEN THE INSURER HAS DETERMINED THAT THERE**  
31 **EXISTS:**

1                    ~~(I)~~ **1. A MATERIAL MISREPRESENTATION OR FRAUD IN**  
2 **CONNECTION WITH THE APPLICATION, POLICY, OR PRESENTATION OF A CLAIM;**

3                    ~~(II)~~ **2. A MATTER OR ISSUE RELATED TO THE RISK THAT**  
4 **CONSTITUTES A THREAT TO PUBLIC SAFETY; OR**

5                    ~~(III)~~ **3. ~~ANY OTHER REASON APPROVED BY THE~~**  
6 **~~COMMISSIONER~~ A CHANGE IN THE CONDITION OF THE RISK THAT RESULTS IN**  
7 **AN INCREASE IN THE HAZARD INSURED AGAINST;**

8                    **(II) FOR NONPAYMENT OF PREMIUM; OR**

9                    **(III) DUE TO THE REVOCATION OR SUSPENSION OF THE**  
10 **DRIVER'S LICENSE OR MOTOR VEHICLE REGISTRATION:**

11                    **1. OF THE NAMED INSURED OR COVERED DRIVER**  
12 **UNDER THE POLICY; AND**

13                    **2. FOR REASONS RELATED TO THE DRIVING RECORD**  
14 **OF THE NAMED INSURED OR COVERED DRIVER.**

15                    SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
16 October 1, 2009.

Approved:

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Governor.

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Speaker of the House of Delegates.

\_\_\_\_\_  
President of the Senate.