

HOUSE BILL 165

C4

9lr0047

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

Introduced and read first time: January 26, 2009

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: February 25, 2009

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 commercial, or private passenger motor vehicle liability insurance midterm
5 unless the insurer makes a certain determination or under certain
6 circumstances; making a certain clarifying change; and generally relating to
7 cancellations of insurance policies.

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

13 BY repealing and reenacting, without amendments,
14 Article - Insurance
15 Section 27-613(a)
16 Annotated Code of Maryland
17 (2006 Replacement Volume and 2008 Supplement)

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

20 **Article - Insurance**

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 27-602.

2 (a) (1) This section applies only to policies of personal insurance.

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

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

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

13 (i) be in writing;

14 (ii) contain the current address and telephone number of the
15 offices of the appropriate plan; and

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

19 (c) (1) **[At] SUBJECT TO PARAGRAPH (5) OF THIS SUBSECTION, AT**
20 **least 45 days before the date of the proposed cancellation or expiration of the policy,**
21 **the insurer shall send to the insured, by certificate of mail, a written notice of**
22 **intention to cancel for a reason other than nonpayment of premium or notice of**
23 **intention not to renew a policy issued in the State.**

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

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

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

31 (5) **AN INSURER MAY NOT CANCEL A POLICY MIDTERM EXCEPT**
32 **FOR:**

33 **(1) WHEN THE INSURER HAS DETERMINED THAT THERE**
34 **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;**

9 **(III) IN THE CASE OF PRIVATE PASSENGER MOTOR VEHICLE**
 10 **LIABILITY INSURANCE, DUE TO THE REVOCATION OR SUSPENSION OF THE**
 11 **DRIVER'S LICENSE OR MOTOR VEHICLE REGISTRATION:**

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

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

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

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

21 27-603.

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

23 (2) This section does not apply to:

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

26 (ii) policies issued to exempt commercial policyholders under §
 27 11-206 of this article, if the policies provide for written notice of not less than 30 days
 28 of the insurer's intent to cancel or nonrenew.

29 (b) (1) Whenever an insurer, **AS REQUIRED BY SUBSECTION (C) OF**
 30 **THIS SECTION**, gives notice of its intention to cancel or not to renew a policy issued in
 31 this State for a reason other than nonpayment of premium, the insurer shall notify the

1 insured of the possible right to replace the insurance under the Maryland Property
 2 Insurance Availability Act, through the Maryland Automobile Insurance Fund, or
 3 through another plan for which the insured may be eligible.

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

5 (i) be in writing;

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

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

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

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

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

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

26 (5) **AN INSURER MAY NOT CANCEL A POLICY MIDTERM EXCEPT**
 27 **~~FOR:~~**

28 **(1) WHEN THE INSURER HAS DETERMINED THAT THERE**
 29 **EXISTS:**

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

32 **~~(H)~~ 2. A MATTER OR ISSUE RELATED TO THE RISK THAT**
 33 **CONSTITUTES A THREAT TO PUBLIC SAFETY; OR**

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

4 (II) FOR NONPAYMENT OF PREMIUM; OR

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

7 1. OF THE NAMED INSURED OR COVERED DRIVER
 8 UNDER THE POLICY; AND

9 2. FOR REASONS RELATED TO THE DRIVING RECORD
 10 OF THE NAMED INSURED OR COVERED DRIVER.

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

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

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

22 27-613.

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

25 (2) This section does not apply to the Maryland Automobile Insurance
 26 Fund.

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

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

32 (ii) reduce coverage under the policy.

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

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

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

8 1. is approved by the Commissioner under § 27-606 of
9 this subtitle; and

10 2. provides that each insured affected by the plan of
11 withdrawal shall be sent by certificate of mail at least 45 days before the nonrenewal
12 of the policy a written notice that states the date that the policy will be nonrenewed
13 and that the nonrenewal is the result of the withdrawal of the insurer from the
14 market.

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

17 (I) **WHEN THE INSURER HAS DETERMINED THAT THERE**
18 **EXISTS:**

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

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

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

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

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

29 **1. OF THE NAMED INSURED OR COVERED DRIVER**
30 **UNDER THE POLICY; AND**

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

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

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.