

## CHAPTER 379

(House Bill 165)

AN ACT concerning

### **Insurance – Cancellation of Policies – Limitation on Midterm Cancellations**

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

BY repealing and reenacting, with amendments,  
Article – Insurance  
Section 27–602, 27–603, and 27–613(b)  
Annotated Code of Maryland  
(2006 Replacement Volume and 2008 Supplement)

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

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

#### **Article – Insurance**

27–602.

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

(I) personal insurance; AND

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

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

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

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

(i) be in writing;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27-603.

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

(2) This section does not apply to:

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

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

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

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

(i) be in writing;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27-613.

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

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

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

- (i) cancel or fail to renew the policy or binder; or
- (ii) reduce coverage under the policy.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Approved by the Governor, May 7, 2009.**