

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 1514

(Delegates Beidle and Stein)

Environmental Matters

Finance and Judicial Proceedings

Real Property - Condominiums - Cancellation of Insurance

This bill repeals specified provisions of law that require an insurer to notify a condominium council of unit owners and specified parties of a proposed cancellation of a property and casualty or general liability insurance policy. Under the bill, an insurer may cancel a property and casualty or general liability insurance policy under existing procedures applicable to specified commercial insurance policies.

The bill applies prospectively to all policies of property or casualty insurance issued, delivered, or renewed in the State on or after the bill's October 1, 2010 effective date.

Fiscal Summary

State Effect: If the Consumer Protection Division of the Office of the Attorney General receives fewer than 50 complaints per year stemming from the bill, the additional workload can be handled with existing resources. No effect on revenues.

Local Effect: None. The bill does not affect local finances or operations.

Small Business Effect: Potential minimal.

Analysis

Current Law: No later than the first conveyance of a condominium unit to a person other than the developer, the council of unit owners must maintain, to the extent reasonably available:

- property insurance on the common elements and units, exclusive of improvements and betterments installed in units by unit owners other than the developer; and

- comprehensive general liability insurance, including medical payments insurance, in an amount determined by the council of unit owners but not less than any amount specified in the condominium's declaration or bylaws.

An insurer issuing either of the aforementioned policies must issue certificates or memoranda of insurance to the condominium council of unit owners and, upon request, to any unit owner, mortgagee, or beneficiary under a deed of trust. The policy may not be cancelled until 30 days after the notice of proposed cancellation has been mailed to the council of unit owners, each unit owner, and each mortgagee to whom certificates of insurance have been issued.

At least 45 days before the date of the proposed cancellation or expiration of a specified commercial insurance policy, the insurer must send to the insured, by certificate of mail or by commercial mail delivery service, written notice of intent to cancel for a reason other than nonpayment of premium or notice of intention not to renew a policy in the State. At least 10 days before the date an insurer proposed to cancel a policy for nonpayment of premium, the insurer must send the insured, by certificate of mail, a written notice of intention to cancel for nonpayment of premium.

If an insurer provides a renewal policy and notice of premium due to an insured at least 45 days prior to the policy's renewal date and the insured fails to make the required payment by the renewal date, the insurer may terminate the policy for nonpayment of premium upon sending the insured, by certificate of mail, a written offer to reinstate the policy without a lapse in coverage. An offer to reinstate coverage must allow at least 10 days for the insurer to make the required premium payment.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Office of the Attorney General (Consumer Protection Division), Maryland Insurance Administration, Department of Legislative Services

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ncs/ljm

Analysis by: Jason F. Weintraub

Direct Inquiries to:
(410) 946-5510
(301) 970-5510