

# SENATE BILL 32

C4

7lr0066

(PRE-FILED)

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By: **Chair, Finance Committee (By Request – Departmental – Maryland Insurance Administration)**

Requested: September 22, 2016

Introduced and read first time: January 11, 2017

Assigned to: Finance

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: January 20, 2017

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

1 AN ACT concerning

2 ~~Motor Vehicle Liability~~ **Insurance – Cancellation of Policy or Binder – Scope of**  
3 **Notice Requirements**

4 FOR the purpose of requiring an insurer to file a copy of a certain notice of cancellation of  
5 a policy or binder of workers' compensation insurance with a certain designee of the  
6 Workers' Compensation Commission; clarifying that provisions of law requiring an  
7 insurer to take certain actions before canceling or refusing to renew coverage under  
8 a policy of workers' compensation insurance do not apply to the cancellation of the  
9 policy or a binder during a certain underwriting period; clarifying that provisions of  
10 law requiring an insurer to take certain actions before canceling, failing to renew, or  
11 reducing coverage under a policy or binder of private passenger motor vehicle  
12 liability insurance do not apply to the cancellation of the policy or binder during a  
13 certain underwriting period; and generally relating to the cancellation of ~~private~~  
14 ~~passenger motor vehicle liability~~ insurance policies and binders.

15 BY repealing and reenacting, without amendments,

16 Article – Insurance

17 Section 12–106(b) and (c) and 27–613(b)(1), (c)(1) and (2), and (d)

18 Annotated Code of Maryland

19 (2011 Replacement Volume and 2016 Supplement)

20 BY repealing and reenacting, with amendments,

21 Article – Insurance

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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.



1 Section 12–106(f), 19–406, and 27–613(a)  
2 Annotated Code of Maryland  
3 (2011 Replacement Volume and 2016 Supplement)

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

6 **Article – Insurance**

7 12–106.

8 (b) This section applies only to a binder or policy, other than a renewal policy, of  
9 personal insurance, commercial property insurance, and commercial liability insurance.

10 (c) A binder or policy is subject to a 45–day underwriting period beginning on the  
11 effective date of coverage.

12 (f) (1) Except as provided in paragraph (2) of this subsection, a notice of  
13 cancellation under this section shall:

14 (i) be in writing;

15 (ii) have an effective date not less than 15 days after mailing;

16 (iii) state clearly and specifically the insurer’s actual reason for the  
17 cancellation; and

18 (iv) be sent by a first–class mail tracking method to the named  
19 insured’s last known address.

20 (2) A notice of cancellation under this section for nonpayment of premium  
21 shall:

22 (i) be in writing;

23 (ii) have an effective date of not less than 10 days after mailing;

24 (iii) state the insurer’s intent to cancel for nonpayment of premium;  
25 and

26 (iv) be sent by a first–class mail tracking method to the named  
27 insured’s last known address.

28 **(3) WITH RESPECT TO A WORKERS’ COMPENSATION INSURANCE**  
29 **POLICY OR BINDER, THE INSURER SHALL FILE A COPY OF THE NOTICE OF**  
30 **CANCELLATION REQUIRED UNDER PARAGRAPH (1) OR (2) OF THIS SUBSECTION**  
31 **WITH THE DESIGNEE OF THE WORKERS’ COMPENSATION COMMISSION.**

1 19-406.

2 (a) THIS SECTION DOES NOT APPLY TO THE CANCELLATION OF A POLICY OR  
3 BINDER OF WORKERS' COMPENSATION INSURANCE BY AN INSURER DURING THE  
4 45-DAY UNDERWRITING PERIOD IN ACCORDANCE WITH § 12-106 OF THIS ARTICLE.

5 (B) Except for a cancellation for nonpayment of premium, an insurer may not  
6 cancel or refuse to renew a workers' compensation insurance policy before its expiration  
7 unless, at least 45 days before the date of cancellation or nonrenewal, the insurer:

8 (1) serves on the employer, by personal service or certified mail addressed  
9 to the last known address of the employer, a notice of intention to cancel or nonrenew the  
10 policy; and

11 (2) files a copy of the notice with the State Workers' Compensation  
12 Commission's designee.

13 [(b)](C) Notice under this section may be given:

14 (1) if the employer is a corporation, to an agent or officer of the corporation  
15 on whom legal process may be served; and

16 (2) if the employer is a partnership, to a partner.

17 [(c)](D) Notice under this section shall state when the cancellation or  
18 nonrenewal takes effect.

19 [(d)](E) Whenever an employer receives a notice under this section, the  
20 employer immediately shall secure coverage in accordance with § 9-402 of the Labor and  
21 Employment Article that will be in effect when the cancellation takes effect.

22 [(e)](F) (1) The notice shall state the insurer's actual reason for proposing  
23 the cancellation or nonrenewal of the policy.

24 (2) The Commissioner may not disallow a proposed action of an insurer  
25 because the statement of actual reason contains:

26 (i) grammatical, typographical, or other errors, if the errors are not  
27 material to the proposed action and are not misleading;

28 (ii) surplus information, if the surplus information is not misleading;  
29 or

30 (iii) erroneous information, if in the absence of the erroneous  
31 information there is a sufficient basis to support the proposed action.

1            **[(f)](G)**        (1)    At least 10 days before the date of cancellation of a workers'  
2 compensation insurance policy for nonpayment of premium, the insurer shall send to the  
3 employer, by certificate of mail, a written notice of the intention to cancel for nonpayment  
4 of premium.

5            (2)    An insurer shall file a copy of the notice sent under paragraph (1) of  
6 this subsection with the State Workers' Compensation Commission's designee.

7 27-613.

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

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

12            **(3)    THIS SECTION DOES NOT APPLY TO THE CANCELLATION OF A**  
13 **POLICY OR BINDER OF PRIVATE PASSENGER MOTOR VEHICLE LIABILITY INSURANCE**  
14 **BY AN INSURER DURING THE 45-DAY UNDERWRITING PERIOD IN ACCORDANCE WITH**  
15 **§ 12-106 OF THIS ARTICLE.**

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

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

21                    (ii)   reduce coverage under the policy.

22            (c)    (1)    At least 45 days before the proposed effective date of the action, an  
23 insurer that intends to take an action subject to this section shall send written notice of its  
24 proposed action to the insured at the last known address of the insured:

25                    (i)    for notice of cancellation or nonrenewal, by certified mail; and

26                    (ii)   for all other notices of actions subject to this section, by a  
27 first-class mail tracking method.

28            (2)    The notice must be in triplicate and on a form approved by the  
29 Commissioner.

30            (d)    At least 10 days before the date an insurer proposes to cancel a policy for  
31 nonpayment of premium, the insurer shall send to the insured, by a first-class mail  
32 tracking method, a written notice of intention to cancel for nonpayment of premium.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
2 October 1, 2017.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.