

# **MARYLAND LAWS AND REGULATIONS ON NON-RENEWAL/CANCELLATION OF INSURANCE**

## **LAWS:**

### **§27-601.**

(a) In this subtitle the following words have the meanings indicated.

(b) (1) “Commercial insurance” means property insurance or casualty insurance issued to an individual, a sole proprietor, partnership, corporation, limited liability company, or similar entity and intended to insure against loss arising from the business pursuits of the insured entity.

(2) “Commercial insurance” does not include:

- (i) policies issued by the Maryland Automobile Insurance Fund;
- (ii) policies issued by the Joint Insurance Association;
- (iii) workers’ compensation insurance; or
- (iv) title insurance.

(c) (1) “Personal insurance” means property insurance or casualty insurance issued to an individual, trust, estate, or similar entity that is intended to insure against loss arising principally from the personal, noncommercial activities of the insured.

(2) “Personal insurance” does not include:

(i) motor vehicle liability insurance policies subject to § 27-613

of this subtitle;

- (ii) policies issued by the Maryland Automobile Insurance Fund;
- (iii) policies issued by the Joint Insurance Association; or
- (iv) surety 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 named insured at the named insured's last known address 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) 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 named insured at the named insured's last known address, 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:

- (i) when there exists:
  - 1. a material misrepresentation or fraud in connection with the application, policy, or presentation of a claim;
  - 2. a matter or issue related to the risk that constitutes a threat to public safety; or
  - 3. 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 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 named insured, at the named insured's last known address, by certificate of mail, a written notice of intention to

cancel for nonpayment of premium.

## **§27-604.**

(a) (1) This section applies only to policies of personal insurance and insurance issued under the Maryland Property Insurance Availability Act or any similar act instituted to ensure the availability of insurance.

(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 cancels or refuses to renew a policy subject to this section, the insurer must provide to the named insured a statement of the actual reason for the cancellation or refusal to renew.

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

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

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

or

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

(c) A statement of actual reason is privileged and does not constitute grounds for an action against the insurer, its representatives, or another person that in good faith provides to the insurer information on which the statement is based.

(d) (1) The reason given in the statement of actual reason shall be clear and specific.

(2) The use of generalized terms such as “personal habits”, “physical handicap or disability”, “living conditions”, “poor morals”, or “violation or accident record” does not meet the requirement of this subsection.

## **§27-610.**

(a) (1) This section applies only to policies of personal insurance and private passenger motor vehicle liability insurance policies subject to § 27-613 of this subtitle.

(2) Unless an insurer has provided notice of its intention not to renew a policy in compliance with this subtitle, the insurer must provide each policyholder with notice of renewal premium due at least 45 days before the due date.

(3) If a policyholder is being transferred between admitted insurers within the same insurance holding company system, as defined in § 7-101 of this article, the

notice required under paragraph (2) of this subsection shall include disclosure of the transfer.

(4) A licensed insurance producer may provide notice under paragraph (2) of this subsection on behalf of the insurer.

(5) The duty to provide notice under paragraph (2) of this subsection is deemed discharged if:

- (i) the insurer shows that its established procedures would have resulted in placing the notice of renewal premium due in the United States mail; and
- (ii) there is no showing that in fact the notice was not placed in the mail.

(b) If an insurer fails to provide notice of renewal premium due under subsection (a) of this section, and subsequently the policyholder fails to make timely payment of the renewal premium, the insurer must:

- (1) provide coverage for each claim that:
  - (i) would have been covered under the policy; and
  - (ii) arises within 45 days after the date the insured discovers or should have discovered that the policy was not renewed; and
- (2) renew the policy on tender of payment within 30 days after the policyholder discovers or should have discovered that the policy was not renewed.

## **§27-612.**

(a) (1) If an insurer fails to comply with any provision of § 27-602, § 27-603, § 27-604, § 27-605, § 27-606, § 27-607, § 27-608, § 27-610, or § 27-613 of this subtitle, the insurer is liable to the applicant for the coverage that was requested, or that would have become effective except for the failure to comply with these provisions, unless the person seeking coverage:

- (i) no longer wishes the coverage;
- (ii) has obtained other substantially equivalent coverage; or
- (iii) fails to tender or pay the premium after reasonable demand for the premium has been made.

(2) The liability of an insurer under paragraph (1) of this subsection is in addition to any other penalties applicable by law.

(b) Liability for coverage does not apply to failure to comply with § 27-611 of this subtitle, as it relates to motor vehicle liability insurance.

# **MARYLAND REGULATIONS ON NONRENEWAL/ CANCELLATION OF INSURANCE**

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### ***.01 Definitions.***

**A.** In this chapter, the following terms have the meanings indicated.

**B.** Terms Defined.

(1) "Business purposes standard" means the standard required by Insurance Article, §27-501(a)(2), Annotated Code of Maryland.

(2) "Claim" means a reported loss that is covered or coverable under a policy.

(3) "Loss" means damage or injury to body, person, or property.

(4) "Remediation" means repair of the premises or dwelling of an insured or replacement of part of the premises or dwelling of an insured that:

(a) Eliminates or significantly diminishes the condition of the premises or dwelling that gave rise to a claim; and

(b) Makes it reasonably unlikely that the same type of claim will arise again.

(5) "Repair notice" means written notice that:

(a) An insurer provides to an insured pursuant to Insurance Article, §27-501(i)(2), Annotated Code of Maryland; and

(b) Requests the insured to make reasonable or customary repairs or replacement specific to the insured's premises or dwelling.

### ***.02 Homeowner's Insurance.***

**A.** Scope. This regulation applies to homeowner's insurance.

**B.** Weather-Related Claims—Presumption. A claim is presumed to be a weather-related claim if the loss was caused by snow, rain, sleet, hail, lightning, freezing, thawing, change in barometric pressure, or a similar condition.

**C.** Weather-Related Claims—Standard for Cancellation or Nonrenewal.

(1) An insurer may not combine a weather-related claim that is excepted from the business purposes standard by Insurance Article, §27-501(i)(1), Annotated Code of Maryland, with any other factor for the purpose of canceling or refusing to renew coverage unless there were three or more weather-related claims within the preceding 3 years.

(2) For purposes of cancellation of, or refusal to renew, coverage based on weather-related claims pursuant to Insurance Article, §27-501(i)(1), Annotated Code of Maryland, an

insurer may consider a weather-related claim notwithstanding any remediation by the insured that may prevent a similar weather-related claim from arising in the future.

**D. Weather-Related Claims—Repair Notice.**

(1) An insurer may consider claims for weather-related events for the purpose of canceling, or refusing to renew, coverage after providing a repair notice to an insured pursuant to Insurance Article §27-501(i)(2), Annotated Code of Maryland, only if the repair was sent following:

- (a) An inspection of the insured's premises or dwelling; or
- (b) The filing of a claim by the insured where the insurer's adjuster recognized the need for the repair after inspecting the premises or dwelling where the claim arose.

(2) An insurer that provides a repair notice to an insured may satisfy the requirements of Insurance Article, §27-501(i)(2), Annotated Code of Maryland, by sending the repair notice to the insured by first class mail, in accordance with the insurer's regular business practices.

(3) An insurer may not consider a weather-related claim for the purpose of canceling, or refusing to renew, coverage due to the insured's failure to make repairs or replacement after mailing of a repair notice unless the repair notice was mailed at least 60 days before the weather-related event that gave rise to the loss for which a claim was made.

(4) Insurance Article, §27-501(i)(2), Annotated Code of Maryland, does not allow an insurer to cancel, or refuse to renew, coverage based wholly or partly on an insured's failure to make repair or replacement after mailing of a repair notice unless the insurer meets the business purposes standard, which may be met by meeting one of the standards listed in Insurance Article, §27-501(j), Annotated Code of Maryland.

**E. Material Misrepresentation.**

(1) For purposes of Insurance Article, §27-501(j)(1)(i), Annotated Code of Maryland, a material misrepresentation is a misrepresentation but for which an insurer would:

- (a) Not have provided coverage; or
- (b) Have denied a claim or any part of a claim.

(2) For purposes of Insurance Article, §27-501(j)(1)(i), Annotated Code of Maryland, a material misrepresentation does not include a good faith representation of the value of a claim or any part of a claim.

## ***.04 Action Based on Claims History.***

**A. Factors in Mitigation.** With respect to cancellation of, or refusal to renew, coverage based on claims history, an insurer may not consider factors in mitigation of a proposed cancellation of, or refusal to renew, coverage as provided by Insurance Article, §27-501(n)(1), Annotated Code of Maryland, unless the:

- (1) Insurer applies the factors uniformly within a given classification to each proposed cancellation of, or refusal to renew, coverage for all insureds; and
- (2) Factors considered are included in the insurer's underwriting guidelines or rating plan.

**B. Disclosure of Practice of Considering Claims History.** An insurer that is required by Insurance Article, §27-501(n)(2), Annotated Code of Maryland, to disclose the practice of considering claims history for purposes of canceling, or refusing to renew, coverage shall provide notice to the insured at the issuance of the policy and at each renewal by using the following language, or substantially similar language, in a least 12-point type: (Name of Insurer) will consider your claims history for purposes of determining whether to cancel or refuse to renew your policy.

**C. Providing Disclosure Notice at Inception of Policy.** An insurer shall provide the disclosure notice required by §B of this regulation to an insured at the inception of a policy by:

(1) Including the disclosure notice in a conspicuous location on a binder, the policy, or another form; and

(2) Mailing or delivering the binder, policy, or other form to the insured.

**D. Providing Disclosure Notice at Renewal.** An insurer shall provide the disclosure notice required by §B of this regulation to an insured at each renewal of a policy by including the disclosure notice in a conspicuous location on the notice of renewal premium required by Insurance Article, §27-607, Annotated Code of Maryland.

### ***.05 Measurement of Time Periods.***

For the purpose of measuring any time period within which a certain number of claims, or events giving rise to claims, shall have occurred in order to cancel or refuse to renew coverage under Insurance Article, §27-501, Annotated Code of Maryland, the time period is measured from the effective date of the coverage or renewal.

### ***.06 Prohibition on Cancellation or Nonrenewal When Filed Rate Exists.***

**A. Scope.** This regulation does not apply to cancellation of a risk due to nonpayment of a premium.

**B. Prohibition.** Notwithstanding any provision of Insurance Article, §27-501, Annotated Code of Maryland, or of this chapter, an insurer may not cancel, or refuse to renew, a risk if the insurer has a filed rate that is applicable to that risk.

### ***.07 Umbrella Coverage.***

Insurance Article, §27-501, Annotated Code of Maryland, or this chapter does not allow an insurer to cancel or refuse to renew personal umbrella or personal excess coverage without meeting the business purposes standard.

## ***.08 Effective Date of Standards.***

**A.** If an insurer proposes to cancel, or refuse to renew, insurance coverage in accordance with Insurance Article, §27-501, Annotated Code of Maryland, and the cancellation or refusal to renew will take effect on or after October 1, 1998, the insurer shall comply with the standards of Insurance Article, §27-501(i)—(n), Annotated Code of Maryland, to the extent that the standards are applicable.

**B.** The disclosure requirements of Regulation .04B of this chapter apply only to a policy that is issued or renewed on or after January 28, 2000.