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## **An Act To Clarify and Update the Laws Related to Property and Casualty Insurance**

**Be it enacted by the People of the State of Maine as follows:**

### **PART A**

**Sec. A-1. 24-A MRSA §2303, sub-§3-A,** as enacted by PL 1989, c. 797, §6 and affected by §§37 and 38, is repealed.

### **PART B**

**Sec. B-1. 24-A MRSA §2304-A, sub-§1,** as amended by PL 2003, c. 671, Pt. A, §1, is further amended to read:

1. Every insurer shall file with the superintendent, except as to inland marine risks, which by general custom of the business are not written according to manual rates or rating plans, every manual rate, minimum premium, class rate, rating schedule or rating plan and every other rating rule, and every modification of any of the foregoing that it proposes to use. The filing must state the effective date of the filing and indicate the character and extent of the coverage contemplated. The filing must be made not less than 30 days in advance of the stated effective date unless that 30-day requirement is waived by the superintendent. The effective date may be suspended by the superintendent for a period of time not to exceed 60 days, except that the effective date for filings made electronically may not be suspended. Filings made electronically must be acted on no later than 30 days from receipt unless an extension is requested by the filer.

### **PART C**

**Sec. C-1. 24-A MRSA §2908, sub-§1, ¶E,** as enacted by PL 1985, c. 671, §1, is amended to read:

E. "Renewal" or "to renew" means the issuance of, or the offer to issue by an insurer, a policy succeeding a policy previously issued and delivered by the same insurer or an affiliate of the insurer or the issuance of a certificate or notice extending the terms of an existing policy for a specified period beyond its expiration date. For the purposes of this section, the transfer of a policy from an insurer to an affiliate is considered a policy renewal.

**Sec. C-2. 24-A MRSA §2908, sub-§5, ¶D** is enacted to read:

D. For policies providing automobile physical damage coverage, like notice of cancellation or nonrenewal must also be given to any party named in a loss payable clause.

**Sec. C-3. 24-A MRS §2912, sub-§1**, as enacted by PL 1973, c. 339, §1, is amended to read:

**1. Policy.** "Policy" means an automobile insurance policy providing bodily injury liability, property damage liability, medical payments, uninsured motorist coverage, physical damage coverage, or any combination thereof, ~~delivery~~delivered or issued for delivery in this State, insuring a single individual or one or more related individuals resident in the same household, as named insured and insuring vehicles of the following types only:

A. Motor vehicles of the private passenger or station wagon type ~~which~~that are not used as public conveyances nor rented to others; and

B. Any other 4-wheel motor vehicles with a load capacity of 1,500 pounds or less ~~which~~that are not used in the business or professions of the insured.

**Sec. C-4. 24-A MRS §2912, sub-§2**, as amended by PL 2005, c. 114, §1, is further amended to read:

**2. Renewal or renew.** "Renewal" or "to renew" means the issuance and delivery by an insurer of a policy replacing at the end of the previous policy term a policy previously issued and delivered by the same insurer, or the issuance and delivery of a certificate or notice extending the coverage of the policy beyond its original term. ~~Any renewal policy with a term of one year or less, other than a replacement policy for an unfinished term, with a term of one year or less is considered written, for the purposes of this subchapter, for a term of one year.~~ For purposes of this subchapter, the transfer of a policy from an insurer to an affiliate is considered a policy renewal.

Any policy written for a term longer than one year or with no fixed expiration date is considered written for successive policy terms of one year for the purposes of this subchapter.

**Sec. C-5. 24-A MRS §2915**, as amended by PL 2005, c. 114, §2, is further amended to read:

### **§ 2915. Delivery of notice**

A notice of cancellation of a policy is not effective unless received by the named insured at least 20 days prior to the effective date of cancellation, or, when the cancellation is for nonpayment of premium, at least 10 days prior to the effective date of cancellation. In the event the policy is ~~an~~provides automobile physical damage ~~policy~~coverage, like notice of cancellation must also be given to any ~~other person~~party mentioned in the loss payable clause. A postal service certificate of mailing to the named insured at the insured's last known address is conclusive proof of receipt on the 5th calendar day after mailing.

Except for a policy that has been in effect for less than 60 days at the time notice of cancellation is received by the named insured, the reason for cancellation must accompany the notice, together with a notice of the right to apply for a hearing before the ~~Superintendent of Insurance~~superintendent within 30 days, as provided in section 2920.

~~Prior to the date of renewal of a policy that has been transferred by an insurer to an affiliate, the insured must receive notice of any changes to the terms of the policy that are less favorable to the insured.~~

**Sec. C-6. 24-A MRSA §2916-A, first ¶**, as enacted by PL 1979, c. 336, §1, is amended to read:

~~N~~A notice of nonrenewal ~~shall~~may not be issued; unless it is based upon a reason for which the policy could have been cancelled or unless it is based upon one or more of the following grounds ~~which~~that occurred during the 36-month period preceding the yearly anniversary date of the policy. A nonrenewal is effective only on the policy's yearly anniversary date.

**Sec. C-7. 24-A MRSA §2917**, as amended by PL 1979, c. 347, §§5 and 6, is further amended to read:

### **§ 2917. Notice of intent**

~~N~~An insurer ~~shall~~may not fail to renew a policy except by notice to the insured as provided in this subchapter. A notice of intention not to renew ~~shall~~is not be effective unless received by the named insured at least 30 days prior to the expiration date of the policy. In the event the policy provides automobile physical damage coverage, like notice of intention not to renew must be given to any party named in the loss payable clause. A post-officepost office department certificate of mailing to the named insured at his~~the~~ insured's last known address ~~shall be~~is conclusive proof of receipt on the 3rd calendar day after mailing.

The reason or reasons for the intended nonrenewal action ~~shall~~must accompany the notice of intent not to renew and the reason or reasons ~~shall~~must be explicit. Explanations such as "underwriting reasons," "underwriting experience," "loss record," "driving experience," "credit report;" and similar insurance terms are not by themselves acceptable explanations of an insurer's intended nonrenewal of an automobile insurance policy. A notice of a right to apply for a hearing before the ~~Superintendent of Insurancesuperintendent~~ within 30 days as provided ~~herein~~in this section must accompany the notice of intent not to renew.

This section ~~shall~~does not apply:

1. If the insurer has manifested its willingness to renew;
2. If the insured fails to pay any premium due or any advance premium required by the insurer for renewal; or
3. If the insurer has transferred a policy to an affiliate. Prior to the date of renewal of a policy that has been transferred by an insurer to an affiliate, the insured must receive notice of any changes to the terms of the policy that are less favorable to the insured.

**Sec. C-8. 24-A MRSA §3007, sub-§8**, as amended by PL 1991, c. 25, §2, is further amended to read:

8. This ~~notice~~section does not apply to any insurance policy that has not been previously renewed if the policy has been in effect less than 60 days at the time notice of cancellation is mailed or otherwise delivered, except as provided in subsection 1, paragraph A and subsection 5, paragraphs A and C. This section does not apply to any policy subject to the ~~Maine Property Insurance Cancellation Control Act~~; subchapter ~~V~~5. This section does not apply to any policy issued pursuant to any assigned risk plan. The

superintendent may suspend, in whole or in part, the applicability of this section to any insurer if, in the superintendent's discretion, its application will endanger the ability of the insurer to fulfill its contractual obligation.

**Sec. C-9. 24-A MRSA §3049, sub-§1**, as amended by PL 1979, c. 347, §8, is further amended to read:

1. Nonpayment of premium, including nonpayment of any additional premiums, calculated in accordance with the current rating ~~manuel~~manual of the insurer, justified by a physical change in the insured property or a change in its occupancy or use. ~~No~~A notice of cancellation for nonpayment of premium ~~shall be~~is not effective unless deemed received under section 3050 after the premium due date;

**Sec. C-10. 24-A MRSA §3050**, as amended by PL 2005, c. 114, §5, is further amended to read:

### **§ 3050. Delivery of notice**

A notice of cancellation of a policy is not effective unless received by the named insured at least 20 days prior to the effective date of cancellation, or, when the cancellation is for nonpayment of premium, at least 10 days prior to the effective date of cancellation. Like notice must also be given to any party named as mortgagee on the policy. A postal service certificate of mailing to the named insured at the insured's last known address is conclusive proof of receipt on the 5th calendar day after mailing.

Except for a policy that has been in effect for less than ~~60~~90 days at the time notice of cancellation is received by the named insured, the reason for cancellation must accompany the notice, together with a notice of the right to apply for a hearing before the ~~Superintendent of Insurance~~superintendent within 30 days, as provided in section 3054.

~~Prior to the date of renewal of a policy that has been transferred by an insurer to an affiliate, the insured must receive notice of any changes to the terms of the policy that are less favorable to the insured.~~

**Sec. C-11. 24-A MRSA §3051**, as amended by PL 2005, c. 114, §§6 to 8, is further amended to read:

### **§ 3051. Notice of intent**

An insurer may not fail to renew a policy except by notice to the insured as provided in this subchapter. A notice of intention not to renew is not effective unless received by the named insured at least 30 days prior to the expiration date of the policy. Like notice must also be given to any party named as mortgagee on the policy. A post office certificate of mailing to the named insured at the insured's last known address is conclusive proof of receipt on the 3rd calendar day after mailing. The reason must accompany the notice of intent not to renew, together with notification of the right to apply for a hearing before the ~~Superintendent of Insurance~~superintendent within 30 days as provided.

The reason or reasons for the intended nonrenewal action must accompany the notice of intent not to renew and the reason or reasons must be explicit. Explanations such as "underwriting reasons," "underwriting experience," "loss record," "location of risk," "credit report" and similar insurance terms are not by themselves acceptable explanations of an insurer's intended nonrenewal of a policy insuring property of the kind defined in section 3048. The reason for nonrenewal must be a good faith reason and related to the insurability of the property or a ground for cancellation pursuant to section 3049.

This section does not apply:

1. If the insurer has manifested its willingness to renew;
2. If the insured fails to pay any premium due or any advance premium required by the insurer for renewal; or
3. If the ~~insured~~insurer has transferred a policy to an affiliate.

Prior to the date of renewal of a policy that has been transferred by an insurer to an affiliate, the insured must receive notice of any changes to the terms of the policy that are less favorable to the insured.

## SUMMARY

Part A corrects a redundancy made by prior revisions to the rate-making law.

Part B amends the rate-filing law to require the Department of Professional and Financial Regulation, Bureau of Insurance to act on electronic filings within 30 days.

Part C makes a variety of changes to the cancellation statutes. It amends the definition of "renewal" in the casualty insurance laws by adding language concerning affiliates that the Legislature added to the property insurance law in 2005. It adds to the laws governing cancellation of commercial policies covering physical damage the Maine Automobile Insurance Cancellation Control Act's requirement that the loss payee receive notice of cancellation or nonrenewal. It amends the Maine Automobile Insurance Cancellation Control Act to correct a typographical error in the definition of "policy" and to improve clarity by moving affiliate language from the statute governing cancellation to the statute governing notice of intent not to renew. Part C also corrects technical errors in the property insurance law. It also amends laws governing property insurance cancellation control to be consistent in excepting policies that have been in effect for less than 90 days, to add to personal policies the requirement that a mortgagee receive notice of cancellation, to move a provision concerning affiliate renewal from the statute governing delivery of cancellation notice to the statute governing notice of intention not to renew.