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Legislative Document

No. 1661

H.P. 1232

House of Representatives, May 5, 2021

**An Act To Protect the Insurable Interest of Homeowners in
Multifamily Residences**

(AFTER DEADLINE)

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 205.

Received by the Clerk of the House on May 3, 2021. Referred to the Committee on Health Coverage, Insurance and Financial Services pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.

Handwritten signature of Robert B. Hunt in cursive.

ROBERT B. HUNT
Clerk

Presented by Representative PERRY of Bangor.

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

2 **Sec. 1. 24-A MRSA §3049-A** is enacted to read:

3 **§3049-A. Notification prior to cancellation, termination or lapse**

4 **1. Notice to 3rd party.** A policy of insurance, described in section 3048, subsection
5 1 covering a multifamily residence that is owner-occupied, that is held by a natural person
6 and that has been in force for at least 90 days may not be terminated for nonpayment of
7 premium unless the insurer has mailed a notice of cancellation required by section 3050 to
8 all other natural persons residing within or with an ownership interest in the multifamily
9 residence, referred to in this subchapter as "a necessary 3rd party." For purposes of this
10 section, "multifamily residence" includes a duplex, an apartment building or a
11 condominium. The bureau shall adopt rules to implement the notice requirements under
12 this subsection.

13 **2. Restrictions on cancellation, termination or lapse.** Notwithstanding any
14 provision of this subchapter to the contrary, an insurer shall provide restrictions on the
15 cancellation, termination or lapse of policies described in subsection 1 in accordance with
16 this subsection to reduce the danger that a necessary 3rd party will assume the risk of
17 covering loss of or damage to a multifamily residence when a policyholder loses coverage.
18 Within 90 days after cancellation, termination or lapse of coverage due to nonpayment of
19 premium, a policyholder or a necessary 3rd party may request reinstatement of the policy
20 on the basis of an ownership interest in the multifamily residence. A policy reinstated
21 pursuant to this subsection must cover any loss, damage or claim occurring from the date
22 of the termination, cancellation or lapse and must be issued without any evidence of
23 insurability. Within 15 days after request from an insurer, a policyholder of a policy
24 reinstated pursuant to this subsection or a necessary 3rd party shall pay any unpaid premium
25 from the date of the last premium payment at the rate that would have been in effect had
26 the policy remained in force. If the premium is not paid as required, the policy may not be
27 reinstated and the insurer is not responsible for claims incurred after the initial date of
28 cancellation, termination or lapse of coverage. If an insurer denies a request for
29 reinstatement, the insurer shall notify the policyholder and any necessary 3rd party that the
30 policyholder and any necessary 3rd party may request a hearing before the superintendent
31 pursuant to section 3054.

32 **3. Rulemaking.** The bureau may adopt rules to implement the requirements of this
33 section. The rules adopted pursuant to this subsection are routine technical rules as defined
34 in Title 5, chapter 375, subchapter 2-A.

35 **Sec. 2. 24-A MRSA §3050, first ¶**, as amended by PL 2007, c. 188, Pt. C, §10, is
36 further amended to read:

37 A notice of cancellation of a policy is not effective unless received by the named
38 insured at least 20 days prior to the effective date of cancellation, or, when the cancellation
39 is for nonpayment of premium, at least 10 days prior to the effective date of cancellation.
40 Like notice must also be given to any party named as mortgagee on the policy and to any
41 necessary 3rd party under section 3049-A. A postal service certificate of mailing to the
42 named insured at the insured's last known address is conclusive proof of receipt on the 5th
43 calendar day after mailing.

SUMMARY

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This bill requires insurers to provide notice to individuals residing within or with an ownership interest in a multifamily residence in which a policyholder also resides or has an ownership interest prior to the lapse, cancellation or termination of the policyholder's property insurance policy. The bill allows those individuals to reinstate the policyholder's policy to protect against loss of or damage to their multifamily residence and requires the Department of Professional and Financial Regulation, Bureau of Insurance to adopt routine technical rules.