

MAINE STATE LEGISLATURE

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ONE HUNDRED AND EIGHTH LEGISLATURE

Legislative Document

No. 277

S. P. 118

In Senate, February 9, 1977

Referred to Committee on Business Legislation. Sent down for concurrence and ordered printed.

MAY M. ROSS, Secretary

Presented by Senator Chapman of Sagadahoc.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-SEVEN

**AN ACT Amending the Maine Automobile Insurance Cancellation
Control Act.**

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

Sec. 1. 24-A MRSA § 2912, sub-§ 2, 1st ¶, last sentence, as enacted by PL 1973, c. 339, § 1, is amended to read:

Any renewal policy, other than a replacement policy for an unfinished term, with a term of ~~6 months~~ **one year** or less shall be considered written, for the purposes of this subchapter, for a term of ~~6 months~~ **one year**.

Sec. 2. 24-A MRSA § 2914, last 2 ¶¶, as enacted by PL 1973, c. 339, § 1, are repealed and the following enacted in their places:

During the policy period, an automobile insurance policy may not be modified except by agreement between the insured and the insurer. Modification agreed upon between the insured and the insurer shall not be deemed a cancellation of the coverage or of the policy.

This section shall not apply to any policy or coverage which has been in effect less than 60 days at the time notice of cancellation is mailed or delivered by the insurer nor shall section 2920 apply to any policy or coverage that has been in effect less than 60 days.

This section shall not apply to nonrenewal of an automobile insurance policy.

Sec. 3. 24-A MRSA § 2915, 2nd ¶, as enacted by PL 1973, c. 339, § 1, and as amended by PL 1973, c. 585, § 12, is repealed and the following enacted in its place:

The reason shall accompany the notice of cancellation and, except for policies in force less than 60 days, a notification of the right to apply for a hearing before the Superintendent of Insurance within 15 days as provided herein shall accompany the notice of cancellation.

Sec. 4. 24-A MRSA § 2917, 2nd ¶, as enacted by PL 1973, c. 339, § 1, and as amended by PL 1973, c. 585, § 12, is repealed and the following enacted in its place:

The reason or reasons for the intended nonrenewal action shall accompany the notice of intent not to renew and the reason or reasons shall be explicit. Reasons such as "underwriting reasons," "underwriting experience," "loss record," "loss experience," "driving record," "credit report" and similar insurance terms are not 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 Insurance within 15 days as provided herein shall accompany the notice of intent not to renew.

Sec. 5. 24-A MRSA § 2920, 2nd sentence, as enacted by PL 1973, c. 339, § 1, is amended to read:

The purpose of this hearing shall be limited to establishing the existence of the proof or evidence ~~used~~ given by the insurer in its reason for cancellation or intent not to renew.

STATEMENT OF FACT

This bill, if enacted, will clarify the following provisions of the Automobile Insurance Cancellation Control Act:

Policies with terms of less than one year are being issued more frequently and it is believed that a company's ability to nonrenew should be restricted to an annual basis instead of 6 months, which the Automobile Insurance Cancellation Control Act now provides;

The right to a hearing during the initial 60-day period of coverage has been removed as the Act does not restrict a company's right to terminate a policy during this time period;

The reasons accompanying notices of cancellation or intent to nonrenew should be explicit and understandable by the insured.