

# MAINE STATE LEGISLATURE

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# 121st MAINE LEGISLATURE

## SECOND SPECIAL SESSION-2004

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Legislative Document

No. 1853

S.P. 692

In Senate, February 12, 2004

### An Act To Amend the Laws Relating to Property Insurance

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Reference to the Committee on Insurance and Financial Services suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN  
Secretary of the Senate

Presented by Senator TREAT of Kennebec. (GOVERNOR'S BILL)  
Cosponsored by Representative PERRY of Calais and  
Senators: DAMON of Hancock, HALL of Lincoln, LAFOUNTAIN of York, MAYO of  
Sagadahoc, Representatives: CANAVAN of Waterville, Speaker COLWELL of Gardiner,  
O'NEIL of Saco, PINGREE of North Haven.

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

4 **Sec. 1. 24-A MRSA §3051**, as amended by PL 1979, c. 347, §12,  
is further amended to read:

6 **§3051. Notice of intent**

8 ~~No~~ An insurer shall ~~may not~~ fail to renew a policy except by  
notice to the insured as provided in this subchapter. A notice of  
10 intention not to renew shall ~~is~~ not be effective unless received  
by the named insured at least 30 days prior to the expiration  
12 date of the policy. A ~~post-office--department~~ post office  
certificate of mailing to the named insured at ~~his~~ the named  
14 insured's last known address shall ~~--be~~ is conclusive proof of  
receipt on the 3rd calendar day after mailing. The reason shall  
16 must accompany the notice of intent not to renew, together with  
notification of the right to apply for a hearing before the  
18 Superintendent of Insurance within 30 days as provided.

20 The reason or reasons for the intended nonrenewal action  
shall must accompany the notice of intent not to renew and the  
22 reason or reasons shall must be explicit. Explanations such as  
"underwriting reasons," "underwriting experience," "loss record,"  
24 "location of risk," "credit report" and similar insurance terms  
are not by themselves acceptable explanations of an insurer's  
26 intended nonrenewal of a policy insuring property of the kind  
defined in section 3048. If the intended nonrenewal is based in  
28 whole or in part on the reason that repairs are necessary to  
maintain the insurability of the property, then the policy may be  
30 nonrenewed in accordance with this subchapter only if prior to  
issuing the notice of intent not to renew the insurer has  
32 provided the insured with a detailed written explanation of the  
necessary repairs, the insurer has permitted a minimum of 4  
34 months for the insured to complete the repairs and the insured  
has failed to complete the repairs. The reason for nonrenewal  
36 shall must be a good faith reason and rationally related to the  
insurability of the property.

38 This section shall does not apply:

- 40 1. If the insurer has manifested its willingness to renew;  
42 or
- 44 2. If the insured fails to pay any premium due or any  
advance premium required by the insurer for renewal.

46 **Sec. 2. 24-A MRSA §3054**, as amended by PL 1989, c. 172, §8,  
48 is further amended to read:

50 **§3054. Hearing before Superintendent of Insurance**

2 Any A named insured who has received a statement of reason  
4 for cancellation, or of reason for an insurer's intent not to  
6 renew a policy, may, within 30 days of the receipt of a statement  
8 of reason, request a hearing before the Superintendent of  
10 Insurance. The purpose of this hearing shall--be is limited to  
12 establishing the existence of the proof or evidence used by the  
14 insurer in its reason for cancellation or intent not to renew.  
16 The burden of proof of the reason for cancellation or intent not  
18 to renew shall-be-upon is on the insurer. In order to prove that  
20 a reason for nonrenewal is a good faith reason and rationally  
22 related to the insurability of the property, the insurer must  
24 provide sufficient evidence to demonstrate a relationship between  
the reason for nonrenewal and an increased risk to insuring the  
property. A statement from the insurer that the risk does not  
meet the insurer's underwriting guidelines alone is not  
considered sufficient evidence. The superintendent shall adopt  
rules for carrying out this section. The superintendent shall  
~~have the authority to~~ may order the policy to continue in effect  
both pending and, if the superintendent finds in favor of the  
insured, subsequent to a hearing. If the superintendent finds in  
favor of the insurer at a hearing, the superintendent may order  
the policy to remain in force for 14 days to allow the insured to  
obtain other coverage.

26 Sec. 3. 24-A MRSA §§3057, 3058 and 3059 are enacted to read:

28 **§3057. Actions related to age of dwelling prohibited**

30 An insurance company authorized to transact business in this  
32 State may not cancel or refuse to issue or renew a property  
34 insurance policy subject to this subchapter solely on the basis  
of the age of the dwelling and without consideration of the  
current condition of the property.

36 **§3058. Refusal based on previous owner's losses**

38 An insurance company authorized to transact business in this  
40 State may not refuse to issue a property insurance policy subject  
42 to this subchapter for the sole reason that a previous owner of  
the property submitted claims for losses to the property.

44 **§3059. Insurer valuation of property; increase in premium; notice**

46 **1. Increase in valuation.** If an insurer determines that  
48 the stated insured value of a property covered by a policy  
50 subject to this subchapter should be increased to depict more  
52 accurately its current value and the increase in valuation will  
result in an increase in premium for the policy, then the  
increase in the stated insured value and the corresponding  
increase in premium may be implemented only at the time of  
renewal.

