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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

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

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.

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

Sec. 1. 24-A MRSA §3051, as amended by PL 1979, c. 347, §12, 4 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 insured's last known address shall--be is conclusive proof of 14 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 Superintendent of Insurance within 30 days as provided. 18

20 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 22 "underwriting reasons," "underwriting experience," "loss record," "location of risk," "credit report" and similar insurance terms 24 are not by themselves acceptable explanations of an insurer's intended nonrenewal of a policy insuring property of the kind 26 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 provided the insured with a detailed written explanation of the 32 necessary repairs, the insurer has permitted a minimum of 4 months for the insured to complete the repairs and the insured 34 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.

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This section shall does not apply:

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

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<u>or</u>

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

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

28 §3057. Actions related to age of dwelling prohibited

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

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

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

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\$3059. Insurer valuation of property; increase in premium; notice

1. Increase in valuation. If an insurer determines that the stated insured value of a property covered by a policy 46 subject to this subchapter should be increased to depict more 48 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 50 increase in premium may be implemented only at the time of 52 renewal.

 Notice. If an insurer increases the stated insured
value in accordance with subsection 1, then the insurer must provide notice to the named insured on the policy at least 30
days prior to the effective date of the renewal policy stating the reason for the increase in premium and the amount of premium
increase associated with the increase in valuation. The notice also must state that upon written request by the named insured
the insurer will disclose the specific reasons and specific property characteristics that contributed to the resulting
increase in stated value.

12 3. Exemptions. This section does not apply to routinely scheduled increases in valuation under the policy based on 14 inflation or to requests initiated by an insured to increase the stated insured value of a property.

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SUMMARY

20 This bill prohibits an insurer from cancelling or refusing to issue or renew a property insurance policy subject to the 22 Maine Revised Statutes, Title 24-A, chapter 41, subchapter 5, the so-called "Maine Property Insurance Cancellation Control Act," solely on the basis of the age of the dwelling. The bill 24 prohibits an insurer from declining to insure a property subject 26 to the Maine Property Insurance Cancellation Control Act on the basis that a previous owner of the property submitted claims for 28 losses to the property. The bill prohibits insurers from increasing the stated value of a property insured under a policy 30 governed by the Maine Property Insurance Cancellation Control Act at any time other than at renewal. The bill also requires 32 insurers to provide notice to the named insured explaining the reason for any increase in premium associated with an increase in stated value and disclosing how an insured may obtain additional 34 information that led to the increase in value. The bill requires 36 an insurer to provide advance notice of needed property repairs to a policyholder and to allow for a reasonable time for the 38 policyholder to complete the repairs before issuing a nonrenewal notice based on lack of necessary repairs for a property 40 insurance policy subject to the Maine Property Insurance Cancellation Control Act. Finally, the bill amends the hearing 42 section of the Maine Property Insurance Cancellation Control Act to clarify the proof required by an insurer to establish that its 44 reason to nonrenew a policy is a good faith reason and rationally related to the insurability of the property.