

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)



122nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2005

Legislative Document

No. 1192

H.P. 821

House of Representatives, March 8, 2005

An Act To Extend Insurance Notification and Protection to Small Businesses and Farms

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

Millicent M. MacFarland
MILLCENT M. MacFARLAND
Clerk

Presented by Representative WEBSTER of Freeport.
Cosponsored by President EDMONDS of Cumberland, Senator MAYO of Sagadahoc and
Representatives: BRAUTIGAM of Falmouth, CUMMINGS of Portland, MARRACHÉ of
Waterville, PERRY of Calais, Speaker RICHARDSON of Brunswick, SMITH of Monmouth,
Senator: MILLS of Somerset.

2
4
6
8
10
12
14
16
18
20
22
24
26
28
30
32
34
36
38
40
42
44
46
48
50
52

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

Sec. 1. 24-A MRSA §3048, sub-§§1, 2 and 3, as enacted by PL 1973, c. 239, are repealed and the following enacted in their place:

1. Real property. Loss of or damage to real property;

2. Personal property. Loss of or damage to personal property; and

3. Injury to persons or property. Legal liability for loss of, damage to or injury to persons or property.

Sec. 2. 24-A MRSA §3051, 2nd ¶, as amended by PL 2003, c. 671, Pt. A, §8, is further amended to read:

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. If the intended nonrenewal is based in whole or in part on the reason that repairs are necessary to maintain the insurability of the property, then the policy may be 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 necessary repairs, the insurer has permitted a minimum of 4 months for the insured to complete the repairs and the insured has failed to complete the repairs. 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.

Sec. 3. 24-A MRSA §3060 is enacted to read:

§3060. Coinsurance clauses in policies

If an insurance policy subject to this subchapter includes a coinsurance clause that relates to the amount of coverage provided for the value of equipment or property covered under the policy in the event of a loss or claim, the insurer shall make written disclosure to the policyholder clearly explaining the coinsurance clause and indicating which types of coverage available under the policy are subject to the coinsurance clause. The insurer must include in the explanation a numeric example illustrating the operation of the coinsurance clause. The disclosure must be signed by the policyholder at the time a policy is issued.

2

SUMMARY

4

This bill does the following.

6

1. It brings commercial property insurance contracts under the property insurance cancellation control laws so that business owners may appeal nonrenewal decisions to the Department of Professional and Financial Regulation, Bureau of Insurance. Current law extends the right of appeal to a business owner only when an insurer cancels a property insurance policy in the middle of its term.

8

10

12

14

2. It requires an insurer to provide advance notice of needed property repairs to a policyholder and to allow for a minimum of 4 months for the policyholder to complete the repairs before issuing a nonrenewal notice based on lack of necessary repairs for a property insurance policy subject to the property insurance cancellation control laws.

16

18

20

22

3. It requires insurers who include a coinsurance clause in property insurance contracts to make written disclosures to policyholders that include numeric examples explaining how the coinsurance clause applies to the amount of coverage provided for equipment or property insured under the contract in the event of a claim.

24

26