

# 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)

**LAWS**

OF THE

**STATE OF MAINE**

AS PASSED BY THE

ONE HUNDRED AND TWELFTH LEGISLATURE

**SECOND REGULAR SESSION**  
January 8, 1986 to April 16, 1986

**SECOND SPECIAL SESSION**  
May 28, 1986 to May 30, 1986

AND AT THE

**THIRD SPECIAL SESSION**  
October 17, 1986

PUBLISHED BY THE DIRECTOR OF REVISOR OF STATUTES IN  
ACCORDANCE WITH MAINE REVISED STATUTES ANNOTATED,  
TITLE 3, SECTION 163-A, SUBSECTION 4.

---

J.S. McCarthy Co., Inc.  
Augusta, Maine

---

---

**PUBLIC LAWS**  
OF THE  
**STATE OF MAINE**

AS PASSED AT THE  
SECOND REGULAR SESSION  
of the  
ONE HUNDRED AND TWELFTH LEGISLATURE  
1985

---

---

## CHAPTER 671

H.P. 1457 - L.D. 2054

### AN ACT Relating to Cancellation and Nonrenewal of Property and Casualty Insurance Contracts.

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, property, casualty and liability insurance is essential to businesses, service providers and public entities in the State; and

Whereas, they will be at risk if their property, casualty and liability insurance is cancelled or is not renewed with enough time to secure other insurance; and

Whereas, there have been unexpected cancellations and nonrenewals without adequate notice; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

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

Sec. 1. 24-A MRSa §2908 is enacted to read:

§2908. Cancellation and nonrenewal

1. As used in this section, unless the context indicates otherwise, the following terms have the following meanings.

A. "Cancellation" means termination of a policy at a date other than its expiration date.

B. "Expiration date" means the date upon which coverage under a policy ends. It also means, for a policy written for a term longer than one year or with no fixed expiration date, each annual anniversary date of the policy.

C. "Nonpayment of premium" means the failure or inability of the named insured to discharge any

obligation in connection with the payment of premium on a policy of insurance subject to this section, whether the payments are payable directly to the insurer or its agent or indirectly payable under a premium finance plan or extension of credit.

D. "Nonrenewal" means termination of a policy at its expiration date.

E. "Renewal" or "to renew" means the issuance of, or the offer to issue by an insurer, a policy succeeding a policy previously issued and delivered by the same insurer or the issuance of a certificate or notice extending the terms of an existing policy for a specified period beyond its expiration date.

2. Except as provided in subsection 8, no contract of casualty insurance may be cancelled by an insurer prior to the expiration of the policy, except for one or more of the following grounds:

A. Nonpayment of premium;

B. Fraud or material misrepresentation made by or with the knowledge of the named insured in obtaining the policy, continuing the policy or in presenting a claim under the policy;

C. Substantial change in the risk which increases the risk of loss after insurance coverage has been issued or renewed, including, but not limited to, an increase in exposure due to rules, legislation or court decision;

D. Failure to comply with reasonable loss control recommendations;

E. Substantial breach of contractual duties, conditions or warranties; or

F. Determination by the superintendent that the continuation of a class or block of business to which the policy belongs will jeopardize a company's solvency or will place the insurer in violation of the insurance laws of this State or any other state.

The grounds listed in paragraphs A to E shall be contained in all policies issued, issued for delivery or renewed on or after the effective date of this section. Insurers shall have 30 days from the effective

date of this section to notify insureds of these grounds for cancellation on policies issued or issued for delivery before the effective date of this section.

3. If a policy has been issued for a term longer than one year and, for additional premium consideration, a premium has been guaranteed, the insurer may not refuse to renew the policy or increase the policy premium for the term of that policy.

4. If an insurer offers or purports to renew a contract, but on less favorable terms to the insured or at higher rates or a higher rating plan, the new terms or rates and rating plan may take effect on the renewal date, if the insurer has provided the insured 30 days notice. If the insurer has not so notified the contract holder, the contract holder may elect to cancel the renewal policy within the 30-day period after receipt of the notice or delivery. Earned premium for the period of coverage for such time as the renewal contract may have been in force, shall be calculated pro rata at the lower of the current or previous year's rate. If the insured accepts the renewal, the premium increase, if any, and other changes shall be effective immediately following the prior policy's expiration or anniversary date. This section does not apply if the change is a rate, form or plan filed with the superintendent and applicable to the entire class of business to which the policy belongs or to a premium increase based on the altered nature or extent of the risk insured against.

5. Cancellation or nonrenewal is not effective until notice is received by the insured as follows.

A. Cancellation shall not be effective prior to 10 days after receipt by the insured of a notice of cancellation. The notice shall state the effective date of and the reason or reasons for cancellation.

B. Nonrenewal subject to this section shall not be effective prior to 30 days after receipt of written notice by the insured. If an insurer provides a notice of nonrenewal as described in this subsection and thereafter extends the policy 90 days or less, an additional notice of nonrenewal is not required with respect to this extension.

C. A post-office certificate of mailing to the named insured at his last known address is con-

clusive proof of receipt of notice on the 3rd calendar day after mailing.

6. Any insured who has received a notice of an insurer's intent to cancel a policy may, within 45 days of the receipt of the notice, request a hearing before the superintendent. The purpose of this hearing shall be limited to establishing the existence of the proof or evidence given by the insurer in its notice of cancellation. The burden of proof of the reason for cancellation shall be upon the insurer. The superintendent shall have the authority to order that a policy remain in effect.

7. Except as provided in Title 10, chapter 210, no insurer or licensed agent or employee of the insurer may be held liable in any civil action for statements made in a notice of cancellation or nonrenewal or at a hearing held under this section if the statements were made in good faith and, in the case of cancellation, are reasonably related to the grounds for cancellation.

8. This section does not apply to any insurance policy that has not been previously renewed if the policy has been in effect less than 60 days at the time notice of cancellation is mailed or otherwise delivered. This section does not apply to any policy subject to the Maine Automobile Insurance Cancellation Control Act, subchapter II. This section does not apply to workers' compensation insurance or any assigned risk program. The superintendent may suspend, in whole or in part, the applicability of this section to any insurer if, in his discretion, its application will endanger the ability of the insurer to fulfill its contractual obligations.

9. This section applies to all contracts of casualty insurance delivered or issued for delivery in this State, both before and after the effective date of this section. Provisions in this section relating to nonrenewal of policies shall take effect 30 days after the effective date of this section.

Sec. 2. 24-A MRSA §3007 is enacted to read:

§3007. Cancellation and nonrenewal

1. As used in this section, unless the context indicates otherwise, the following terms have the following meanings.

A. "Cancellation" means termination of a policy at a date other than its expiration date.

B. "Expiration date" means the date upon which coverage under a policy ends. It also means, for a policy written for a term longer than one year or with no fixed expiration date, each annual anniversary date of the policy.

C. "Nonpayment of premium" means the failure or inability of the named insured to discharge any obligation in connection with the payment of premium on a policy of insurance subject to this section, whether the payments are payable directly to the insurer or its agent or indirectly payable under a premium finance plan or extension of credit.

D. "Nonrenewal" means termination of a policy at its expiration date.

E. "Renewal" or "to renew" means the issuance of, or the offer to issue by an insurer, a policy succeeding a policy previously issued and delivered by the same insurer or the issuance of a certificate or notice extending the terms of an existing policy for a specified period beyond its expiration date.

2. Except as provided by subsection 8, no contract of property insurance may be cancelled by an insurer prior to the expiration of the policy, except for one or more of the following grounds:

A. Nonpayment of premium;

B. Fraud or material misrepresentation made by or with the knowledge of the named insured in obtaining the policy, continuing the policy or in presenting a claim under the policy;

C. Substantial change in the risk which increases the risk of loss after insurance coverage has been issued or renewed, including, but not limited to, an increase in exposure due to regulation, legislation or court decision;

D. Failure to comply with reasonable loss control recommendations;

E. Substantial breach of contractual duties, conditions or warranties; or



F. Determination by the superintendent that the continuation of a class or block of business to which the policy belongs will jeopardize a company's solvency or will place the insurer in violation of the insurance laws of this State or any other state.

The grounds listed in paragraphs A to E shall be contained in all policies issued, issued for delivery or renewed on or after the effective date of this section. Insurers shall have 30 days from the effective date of this section to notify insureds of these grounds for cancellation on policies issued or issued for delivery before the effective date of this section.

3. If a policy has been issued for a term longer than one year and, for additional premium consideration, a premium has been guaranteed, the insurer may not refuse to renew or increase the policy premium for the term of that policy.

4. If an insurer offers or purports to renew a contract, but on less favorable terms to the insured or at higher rates, and a higher rating plan, the new terms or rates and rating plan may take effect on the renewal date if the insurer has provided the insured notice as required by this section. If the insurer has not so notified the contract holder, the contract holder may elect to cancel the renewal policy within the 30-day period after receipt of the notice or delivery. Earned premium for the period of coverage for such time as the renewal contract may have been in force shall be calculated pro rata at the lower of the current or previous year's rate. If the insured accepts the renewal, the premium increase, if any, and other changes shall be effective immediately following the prior policy's expiration or anniversary date. This section does not apply if the change is a rate, form or plan filed with the superintendent and applicable to the entire class of business to which the policy belongs or to a premium increase based on the altered nature or extent of the risk insured against.

5. Cancellation or nonrenewal is not effective until notice is received by the insured as follows.

A. To the extent that section 3002 is applicable, the notice of cancellation shall be given as provided for in that section. If section 3002, is not applicable, cancellation shall not be effective prior to 10 days after receipt by the in-

sured of a notice of cancellation. The notice shall state the effective date of and the reason or reasons for cancellation.

B. Nonrenewal subject to this section shall not be effective prior to 30 days after receipt of notice written by the insured.

C. A post-office certificate of mailing to the named insured at his last known address shall be conclusive proof of receipt of notice on the 3rd calendar day after mailing.

6. Any insured who has received a notice of an insurer's intent to cancel a policy may, within 45 days of the receipt of the notice, request a hearing before the superintendent. The purpose of this hearing shall be limited to establishing the existence of the proof or evidence given by the insurer in its notice of cancellation. The burden of proof of the reason for cancellation shall be upon the insurer. The superintendent shall have the authority to order that a policy remain in force.

7. Except as provided in Title 10, chapter 210, no insurer or licensed agent or employee of the insurer may be held liable in any civil action for statements made in a notice of cancellation or nonrenewal or at a hearing held under this section if the statements were made in good faith and, in the case of cancellation, are reasonably related to the grounds for cancellation.

8. This notice does not apply to any insurance policy that has not been previously renewed if the policy has been in effect less than 60 days at the time notice of cancellation is mailed or otherwise delivered. This section does not apply to any policy subject to the Maine Property Insurance Cancellation Control Act, subchapter V. This section does not apply to any policy issued pursuant to any assigned risk plan. The superintendent may suspend, in whole or in part, the applicability of this section to any insurer if, in his discretion, its application will endanger the ability of the insurer to fulfill its contractual obligation.

9. This section applies to all contracts of property insurance delivered or issued for delivery in this State, both before and after the effective date of this section. Provisions in this section re-

lating to nonrenewal of policies shall take effect 30 days after the effective date of this section.

Emergency clause. In view of the emergency cited in the preamble, this Act shall take effect when approved.

Effective April 14, 1986.

---

---

## CHAPTER 672

H.P. 1418 - L.D. 2007

AN ACT to Amend the Maine Implementing Act  
with Respect to the Houlton Band of  
Maliseet Indians.

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

Sec. 1. 3 MRSA §602, as enacted by PL 1983, c. 497, §1, is amended to read:

§602. Designation of officer

The governor and council of the Penobscot Nation, ~~and~~ the Joint Tribal Council of the Passamaquoddy Tribe and the council of the Houlton Band of Maliseet Indians shall each designate, by name and title, the officer authorized to execute the certificate of approval of legislation required by section 601. The designation shall be in writing and filed with the Secretary of State no later than the first Wednesday in January in the First Regular Session of the Legislature, except that the designation for the Houlton Band of Maliseet Indians must be filed with the Secretary of State no later than 45 days after adjournment of the Second Regular Session of the 112th Legislature. The Secretary of State shall forthwith transmit certified copies of each designation to the Secretary of the Senate and the Clerk of the House of Representatives. The designation shall remain in effect until the governor and council of the Penobscot Nation ~~or,~~ the Joint Tribal Council of the Passamaquoddy Tribe or the council of the Houlton Band of Maliseet Indians make a new designation.

Sec. 2. 30 MRSA §6208, sub-§2, as amended by PL 1981, c. 675, §§4 and 5, is further amended to read: