

Maine Revised Statutes
Title 24-A: MAINE INSURANCE CODE
Chapter 41: PROPERTY INSURANCE CONTRACTS

§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. [1985, c. 671, §2 (NEW).]

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. [1985, c. 671, §2 (NEW).]

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. [1985, c. 671, §2 (NEW).]

D. "Nonrenewal" means termination of a policy at its expiration date. [1985, c. 671, §2 (NEW).]

E. "Renewal" or "to renew" means the issuance of, or the offer to issue by an insurer or an affiliate of an insurer, a policy succeeding a policy previously issued and delivered by the same insurer or an affiliated insurer or the issuance of a certificate or notice extending the terms of an existing policy for a specified period beyond its expiration date. For purposes of this section, the transfer of a policy from an insurer to an affiliate is considered a policy renewal. [2005, c. 114, §3 (AMD).]

[2005, c. 114, §3 (AMD) .]

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; [1985, c. 671, §2 (NEW).]

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; [1985, c. 671, §2 (NEW).]

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; [1985, c. 671, §2 (NEW).]

D. Failure to comply with reasonable loss control recommendations; [1985, c. 671, §2 (NEW).]

E. Substantial breach of contractual duties, conditions or warranties; or [1985, c. 671, §2 (NEW).]

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. [1985, c. 671, §2 (NEW).]

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.

[1985, c. 671, §2 (NEW) .]

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.

[1985, c. 671, §2 (NEW) .]

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.

[1985, c. 671, §2 (NEW) .]

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 insured of a notice of cancellation. The notice shall state the effective date of and the reason or reasons for cancellation. [1985, c. 671, §2 (NEW).]

B. Nonrenewal subject to this section is not effective prior to 30 days after receipt of written notice by the insured. Prior to the date of renewal of a policy that has been transferred by an insurer to an affiliate, the insured must receive notice of any changes to the terms of the policy that are less favorable to the insured. [2009, c. 415, Pt. A, §13 (AMD).]

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. [1985, c. 671, §2 (NEW).]

[2009, c. 415, Pt. A, §13 (AMD) .]

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 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.

[1989, c. 172, §6 (AMD) .]

7. Except as provided in Title 10, chapter 209-B, 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.

[2013, c. 588, Pt. C, §14 (AMD) .]

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, except as provided in subsection 1, paragraph A and subsection 5, paragraphs A and C. This section does not apply to any policy subject to subchapter 5. 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 the superintendent's discretion, its application will endanger the ability of the insurer to fulfill its contractual obligation.

[2007, c. 188, Pt. C, §8 (AMD) .]

9. This section applies to all contracts of property insurance, except surplus lines contracts, 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.

[1989, c. 172, §6 (AMD) .]

SECTION HISTORY

1985, c. 671, §2 (NEW). 1989, c. 172, §6 (AMD). 1991, c. 25, §2 (AMD). 2005, c. 114, §§3,4 (AMD). 2007, c. 188, Pt. C, §8 (AMD). 2009, c. 415, Pt. A, §13 (AMD). 2013, c. 588, Pt. C, §14 (AMD).

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