

Title 31 MARYLAND INSURANCE ADMINISTRATION

Subtitle 15 UNFAIR TRADE PRACTICES

Chapter 09 Automobile Liability Insurance

Authority: Insurance Article, §§2-109 and 10-126, Annotated Code of Maryland

[.01 Description of Problem.

A. In some instances when an agent is instructed by the agent's company to notify a policyholder of the cancellation of the policyholder's automobile liability insurance policy by the company, the agent instead goes to the insured and insists that the insured sign a form notifying the carrier that the insured desires cancellation of the policy. This permits the agent to calculate the earned premium to be charged on a short rate basis instead of on a pro rata basis.

B. These agents are telling the insureds that this will permit the insured when applying for a new policy with another carrier to ignore the declaration which reads:

"During the past 3 years no insurer has cancelled insurance issued to the named insured, similar to that afforded hereunder, unless otherwise stated herein:"

C. Since the insured requests cancellation under duress, the statement under these circumstances may be a misstatement of fact and might lead the succeeding carrier to deny liability under its contract. Thus, the insured might be left without uncontested coverage at a subsequent date as a result of the insured's involuntary act.

.02 Violations.

A. Engaging in the practice described in Regulation .01 of this chapter is prohibited by Insurance Article, §10-126, Annotated Code of Maryland, as amended to date, and any person found guilty of this violation will be subjected to the penalties provided in the statute.

B. If, under the circumstances, it is proven that any agent has calculated the earned premium on a short rate basis and then settled with his company for the earned premium on a pro rata basis, it will automatically require the Insurance Commissioner to suspend or revoke the license of the agent.]