

Chapter 11

(House Bill 65)

AN ACT concerning

Injured Workers' Insurance Fund – Cancellation of Policies – Failure to Pay a Premium

FOR the purpose of altering the manner in which the Injured Workers' Insurance Fund may cancel policies when a policyholder has failed to pay a premium; repealing a requirement that the Board for the Injured Workers' Insurance Fund refer cases for collection to the Office of the Attorney General; and generally relating to the cancellation and collection procedures of the Injured Workers' Insurance Fund.

BY repealing and reenacting, without amendments,

Article – Insurance
Section 19–406
Annotated Code of Maryland
(2011 Replacement Volume)

BY repealing and reenacting, with amendments,

Article – Labor and Employment
Section 10–118, 10–133, and 10–135
Annotated Code of Maryland
(2008 Replacement Volume and 2011 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article – Insurance

19–406.

(a) Except for a cancellation for nonpayment of premium, an insurer may not cancel or refuse to renew a workers' compensation insurance policy before its expiration unless, at least 30 days before the date of cancellation or nonrenewal, the insurer:

(1) serves on the employer, by personal service or certified mail addressed to the last known address of the employer, a notice of intention to cancel or nonrenew the policy; and

(2) files a copy of the notice with the State Workers' Compensation Commission's designee.

(b) Notice under this section may be given:

(1) if the employer is a corporation, to an agent or officer of the corporation on whom legal process may be served; and

(2) if the employer is a partnership, to a partner.

(c) Notice under this section shall state when the cancellation or nonrenewal takes effect.

(d) Whenever an employer receives a notice under this section, the employer immediately shall secure coverage in accordance with § 9-402 of the Labor and Employment Article that will be in effect when the cancellation takes effect.

(e) (1) The notice shall state the insurer's actual reason for proposing the cancellation or nonrenewal of the policy.

(2) The Commissioner may not disallow a proposed action of an insurer because the statement of actual reason contains:

(i) grammatical, typographical, or other errors, if the errors are not material to the proposed action and are not misleading;

(ii) surplus information, if the surplus information is not misleading; or

(iii) erroneous information, if in the absence of the erroneous information there is a sufficient basis to support the proposed action.

(f) (1) At least 10 days before the date of cancellation of a workers' compensation insurance policy for nonpayment of premium, the insurer shall send to the employer, by certificate of mail, a written notice of the intention to cancel for nonpayment of premium.

(2) An insurer shall file a copy of the notice sent under paragraph (1) of this subsection with the State Workers' Compensation Commission's designee.

Article – Labor and Employment

10-118.

(a) The Fund shall consist of:

- (1) premiums for insurance that the Fund issues;
- (2) income from investments under § 10–122 of this subtitle;
- (3) interests on deposits or investments of money from the Fund; and
- (4) the money that [the Attorney General collects] **IS COLLECTED** under [§ 10–133(c)] **§ 10–133(B)** of this subtitle on debts.

(b) The Fund shall include each security or other property that is acquired with money of the Fund.

(c) The Board shall use the Fund to pay all of the expenses under this subtitle, including losses on insurance that the Fund issues.

10–133.

(a) The Board shall adopt policies that provide procedures and standards for the payment of premiums.

(b) (1) [Subject to paragraph (2) of this subsection, the Board, the President of the Fund, or the Executive Vice President of] **IN ACCORDANCE WITH § 19–406 OF THE INSURANCE ARTICLE**, the Fund may:

(i) cancel the insurance of a policyholder who fails to pay a premium due to the Fund; and

(ii) [refer to the Attorney General, for collection,] **PURSUE COLLECTION OF** the debt of any policyholder whose insurance is being canceled under this paragraph.

[(2) At least 10 days before the date set for cancellation of insurance under this subsection, the Board shall:

(i) serve on the policyholder, by personal service or by certified or registered mail sent to the last known resident address of the policyholder, a notice of intention to cancel insurance; and

(ii) submit a copy of the notice to the Workers' Compensation Commission's designee.

(3) Notice under this subsection may be given:

(i) for a policyholder that is a corporation, to an official or other agent of the corporation on whom legal process may be served; and

(ii) for a policyholder that is a partnership, to any partner.

(4) Notice under this subsection shall state the date on which the cancellation is to become effective.

(5) Whenever a debt is referred under this subsection for collection, the insurance may not be reinstated until the debt is paid in full.

(c) (1) Whenever a debt is referred under this section for collection, the Board, the President of the Fund, or the Executive Vice President of the Fund shall provide the Attorney General with:

(i) the name of the policyholder;

(ii) each known business or resident address of the policyholder;
and

(iii) a statement of the amount that the policyholder owes to the Fund.

(2) The Attorney General may sue, in the name of the Fund, to collect the debt.

(d) (2) If [the President of] the Fund considers settlement to be in the best interest of the Fund, a debt [that is referred under this section for collection] may be settled.

10-135.

(a) The Board may:

(1) adopt requirements for uniform payroll; and

(2) require each policyholder to conform to the requirements.

(b) In accordance with the requirements that the Board adopts, each policyholder shall submit a report on wages or other documentation to the Board at intervals that the Board sets.

(c) The Board or its authorized employee **OR AGENT** may inspect at any time the payroll of a policyholder.

(d) [(1)] [Subject to paragraph (2) of this subsection, the Board, the President of the Fund, or the Executive Vice President of] **IN ACCORDANCE WITH § 19-406 OF THE INSURANCE ARTICLE**, the Fund may cancel the insurance of a policyholder who:

[(i)] (1) fails to comply with subsection (b) of this section; or

[(ii)] (2) refuses to allow an inspection authorized under subsection (c) of this section.

[(2) At least 30 days before the date set for cancellation of insurance under this subsection, the Board shall:

(i) serve on the policyholder, by personal service or by certified or registered mail sent to the last known resident address of the policyholder, a notice of intention to cancel insurance; and

(ii) submit a copy of the notice to the Workers' Compensation Commission's designee.

(3) Notice under this subsection may be given:

(i) for a policyholder that is a corporation, to an official or other agent of the corporation on whom legal process may be served; and

(ii) for a policyholder that is a partnership, to any partner.

(4) Notice under this subsection shall state the date on which the cancellation is to become effective.]

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2012.

Approved by the Governor, April 10, 2012.