

Harry and Karen Krigman v. Providence Mutual Fire Insurance Company

Held June 23, 2015– Docket No. INS-15-2055

Decision Issued: July 13, 2015

The named insured requested a hearing to contest the cancellation of businessowners coverage for an increase in hazard due to inadequate maintenance and upkeep of properties. The company failed to demonstrate a change in the risk since the policy renewed.

Held: For the insured. 24-A M.R.S. § 3007(2)(C) allows cancellation of a policy for a substantial change in the risk which increases the risk of loss after insurance coverage has been issued or renewed. The properties were inspected about seven weeks after the policy renewed in December 2014, and the company discovered deterioration of their condition over time since the last inspections were conducted in 2008. The company argued that the statute allows cancellation for a change that has occurred since the original issuance at inception; the Bureau disagrees with that interpretation. As an insurer can nonrenew at will at each expiration date, the statute only contemplates a change during the effective policy term, “after insurance coverage has renewed.” As it was clear the deterioration did not occur in the short period of time since the renewal, but had occurred over several years, the cancellation action is not permitted.