

**STATE OF MAINE  
DEPARTMENT OF PROFESSIONAL AND FINANCIAL  
BUREAU OF INSURANCE**

IN RE: )  
Cambridge Mutual Fire Insurance Company ) CONSENT AGREEMENT  
Merrimack Mutual Fire Insurance Company ) Docket No. INS-06-211  
)

**THIS CONSENT AGREEMENT** is entered into by and among Cambridge Mutual Fire Insurance Company (“Cambridge”), Merrimack Mutual Fire Insurance Company (“Merrimack”), the Superintendent of the Maine Bureau of Insurance (the “Superintendent”), and the Office of the Maine Attorney General. Its purpose is to resolve, without resort to an adjudicatory proceeding, violations of the Maine Insurance Code, 24-A M.R.S.A. Chapter 41, Subchapter 5.

**I**

**FACTS**

1. The Superintendent is the official charged with administering and enforcing Maine’s insurance laws and regulations.
2. Organized and incorporated under the laws of the Commonwealth of Massachusetts, Cambridge is licensed in Maine as an insurance company under license # PCF396 (NAIC # 19771), first issued in February 1924.
3. Organized and incorporated under the laws of the Commonwealth of Massachusetts, Merrimack is licensed in Maine as an insurance company under license # PCF79 (NAIC # 19798), first issued in July 1913.
4. Both Cambridge and Merrimack (the “Companies”) issue policies of homeowners insurance on properties in Maine.
5. According to information that the Companies provided to the Bureau, between January 2002 and November 2004, the Companies non-renewed a total of 461 homeowners policies on properties in Maine as follows:

<b>Year</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Cambridge</b>	17	77	45
<b>Merrimack</b>	208	84	30
<b>Total:</b>	225	161	75

6. All of the non-renewed policies were subject to the Maine Property Insurance Cancellation Control Act, 24-A M.R.S.A. §§ 3048 – 3059 (the “CCA”).
7. The CCA sets forth the exclusive reasons for which an insurer may non-renew policies subject to the CCA.

8. The reason given in 218 of such non-renewals was “Agent no longer represents co. – contact your agent” or substantially similar words, as follows:

<b>Year</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Cambridge</b>	2	28	1
<b>Merrimack</b>	181	3	2
<b>Total:</b>	183	31	3

9. The reason given in 89 of such non-renewals was either “Agent not licensed with company to write business in Maine,” “Producer is not licensed or appointed by company for business in the state of Maine,” or “Agency/producer not properly licensed to write business in Maine,” as follows:

<b>Year</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Cambridge</b>	0	20	6
<b>Merrimack</b>	8	51	5
<b>Total:</b>	8	71	11

10. The Companies allowed various insurance policies to be written through producers who were not licensed in Maine and paid commissions to such producers.

## II

### MAINE LAW

11. Former 24-A M.R.S.A. § 1614(1) provided in part that:

No insurer shall pay or allow to any person otherwise required to be licensed as an agent or broker under this chapter, either directly or indirectly, any commission or compensation for soliciting, negotiating or effecting a contract of insurance within this State, unless at the time of such solicitation, negotiation or effectuation such person was duly licensed by this State as an agent or broker as to the kind or kinds of insurance involved . . .

Effective September 21, 2001, 24-A M.R.S.A. § 1420-L(1) was enacted to provide in part that:

An insurance company . . . may not pay a commission, service fee, brokerage or other valuable consideration to a person for selling, soliciting or negotiating insurance in this State if that person is required to be licensed under this subchapter and is not so licensed.

12. Before amendment by P.L. 2003, c. 671 § A-8, effective July 30, 2004, 24-A M.R.S.A. § 3051 provided in part that:

No insurer shall fail to renew a policy except by notice to the insured as provided in this subchapter. . . . The reason for nonrenewal shall be a good faith reason rationally related to the insurability of the property.

Effective July 30, 2004, 24-A M.R.S.A. § 3051 was amended to read in part as follows:

An insurer may not fail to renew a policy except by notice to the insured as provided in this subchapter. . . . The reason for nonrenewal must be a good faith reason and related to the insurability of the property or a ground for cancellation pursuant to section 3049.

13. 24-A M.R.S.A. § 3049 provides in part that:

No policy may be cancelled except by notice to the insured as provided in this subchapter. No notice of cancellation of a policy shall be effective unless it is based on one or more of the following reasons:

1. Nonpayment of premium, including nonpayment of any additional premiums, calculated in accordance with the current rating manual [sic] of the insurer, justified by a physical change in the insured property or a change in its occupancy or use. No notice of cancellation for nonpayment of premium shall be effective unless deemed received under section 3050 after the premium due date;
2. Conviction of the named insured of a crime having as one of its necessary elements an act increasing any hazard insured against;
3. Discovery of fraud or material misrepresentation by any one of the following:
  - A. The insured or the insured's representative in obtaining the insurance; or
  - B. The named insured in pursuing a claim under the policy;
4. Discovery of either:
  - A. Negligent acts or omissions by the insured substantially increasing any of the hazards insured against; or
  - B. A failure to disclose a material fact in relation to the application for insurance that would, if coverage is effectuated without knowledge by the insurer, substantially alter the terms of the policy;
5. Physical changes in the insured property that result in the property becoming uninsurable;
6. The insured property is vacant and custodial care is not maintained on the property;
7. The presence of a trampoline on the premises if the insured is notified that the policy will be cancelled if the trampoline is not removed and the trampoline, after notice, remains on the property 30 or more days after the date of notice;
8. The presence of a swimming pool upon the insured property that is not fenced in, in accordance with the standards established in Title 22, section 1631, if the pool remains in noncompliance with those standards for 30 days after notice by the insurer of the defective condition and intent to cancel the policy;
9. A loss occasioned by a dog bite, unless, after notice of cancellation or nonrenewal is received, the insured removes the dog; or

10. Failure to comply with reasonable loss control recommendations within 90 days after notice from the insurer. . . .

### **III**

#### **CONCLUSIONS OF LAW**

14. An insurer may not allow producers not licensed in Maine to write policies to be issued through such insurer and may not pay a commission to any such producer.
15. Cambridge violated former 24-A M.R.S.A. § 1614 and 24-A M.R.S.A. § 1420-L by allowing producers not licensed in Maine to write policies and paying commissions to such producers.
16. Merrimack violated former 24-A M.R.S.A. § 1614 and 24-A M.R.S.A. § 1420-L by allowing producers not licensed in Maine to write policies and paying commissions to such producers.
17. The fact that its agent no longer represents an insurer is not a basis under the CCA for an insurer to non-renew an insurance policy.
18. The fact that its agent does not hold an appointment with an insurer is not a basis under the CCA for an insurer to non-renew an insurance policy.
19. The fact that its agent is not properly licensed in Maine is not a basis under the CCA for an insurer to non-renew an insurance policy.
20. Cambridge violated 24-A M.R.S.A. § 3049 by non-renewing policies for reasons not set forth in the CCA.
21. Merrimack violated 24-A M.R.S.A. § 3049 by non-renewing policies for reasons not set forth in the CCA.

### **IV**

#### **COVENANTS**

22. The Companies have stopped (i) allowing producers not licensed in Maine to write policies and paying commissions to such producers, and (ii) non-renewing policies for reasons not set forth in the CCA.
23. Within thirty (30) days of executing this Agreement, Cambridge shall provide the Superintendent with a copy of its written procedures for ensuring that it (i) has advised its appointed producers who are not licensed in Maine that they may not write policies on risks located in Maine and (ii) correctly processes non-renewals of policies subject to the CCA
24. Within thirty (30) days of executing this Agreement, Merrimack shall provide the Superintendent with a copy of its written procedures for ensuring that it (i) has advised its appointed producers who are not licensed in Maine that they may not write policies on risks located in Maine and (ii) correctly processes non-renewals of policies subject to the CCA.
25. Cambridge shall, upon executing this Agreement, pay a civil penalty of Ten Thousand Dollars and No Cents (\$10,000.00) for violating 24-A M.R.S.A. § 3049, as described above in paragraphs 5 through 10.

26. Merrimack shall, upon executing this Agreement, pay a civil penalty of Fifteen Thousand Dollars and No Cents (\$15,000.00) for violating 24-A M.R.S.A. § 3049, as described above in paragraphs 5 through 10.

V

**MISCELLANEOUS**

- 27. The effective date of this Agreement is the date entered in the Superintendent's signature line below.
- 28. A formal hearing in this matter is waived and no appeal will be made
- 29. Cambridge and Merrimack acknowledge that this Agreement is a public record within the meaning of 1 M.R.S.A. § 402 and will be available for public inspection and copying as provided for by 1 M.R.S.A. § 408, and will be reported to the NAIC RIRS database.
- 30. Cambridge and Merrimack have been advised of their respective right to consult with counsel and have, in fact, consulted with counsel before executing this Agreement.
- 31. Nothing herein shall affect any right or interest of any person or entity not a party to this Agreement.
- 32. Nothing herein shall prohibit the Superintendent from seeking an order to enforce this Agreement, or from seeking additional sanctions if either Cambridge or Merrimack does not comply with the above terms, or from taking further legal action if the Superintendent receives additional evidence that further legal action is necessary.
- 33. This Agreement may only be modified by the written mutual consent of all parties.

Dated: \_\_\_\_\_, 2006

**CAMBRIDGE MUTUAL FIRE INSURANCE  
COMPANY**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Printed Name and Title

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Printed name

\_\_\_\_\_  
Date commission expires

Dated: \_\_\_\_\_, 2006

**MERRIMACK MUTUAL FIRE INSURANCE  
COMPANY**

By: \_\_\_\_\_

Its: \_\_\_\_\_  
Printed Name and Title

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Printed name

\_\_\_\_\_  
Date commission expires

Dated: \_\_\_\_\_, 2006

**MAINE OFFICE OF THE ATTORNEY  
GENERAL**

\_\_\_\_\_  
Thomas C. Sturtevant, Jr.  
Assistant Attorney General

Effective  
Date: October 27, 2006

**MAINE BUREAU OF INSURANCE**

\_\_\_\_\_  
Alessandro A. Iuppa  
Superintendent