

*Crystal and Mark Carlton v. Cambridge Mutual Fire Insurance Company*

Held: April 26, 2023  
Decision Issued: May 8, 2023  
Docket Number: INS-23-2018

The named insureds requested a hearing to contest the cancellation of a homeowners policy. The company asserted that cancellation was appropriate because the insureds' alleged operation of an unacceptable business on the covered premises constituted a negligent act that substantially increased the hazards insured against.

**Held:** For the insureds. Under Section 3049(4)(A) of the Maine Property Insurance Cancellation Control Act, 24-A M.R.S. §3049(4)(A), an insurer may cancel a policy based on its discovery of “negligent acts or omissions by the insured substantially increasing any of the hazards insured against.” The company failed to meet its burden of proving the act characterized as “negligent” in its notice, and also asserted for the first time at hearing other cancellation reasons not contained in the notice. Accordingly, the cancellation action is not permitted.