

Bulletin 51

CANCELLATION, RENEWAL AND NON-RENEWAL OF COMMERCIAL POLICIES

January 22, 1986

This Bulletin is directed to all companies writing property and casualty insurance in the State of Indiana and supplements Bulletin #50 dated August 21, 1985 regarding Mid-Term Policy Cancellations.

The efforts of the property-casualty insurance industry to improve its underwriting results have contributed to an availability of insurance problems, and a substantial number of consumers have complained about last-minute cancellations or non-renewal notices that left them insufficient time to obtain replacement coverage. It is my hope this problem can be minimized through the cooperative efforts of the industry, rather than by administrative rules or legislation. To achieve this, voluntary standards have been developed which provide adequate advance notice to insureds, as well as a provision for appropriate underwriting action by insurers.

I have attached copies of these standards for your review, and I am asking that you return the response form indicating whether your company will comply with them no later than February 14, 1986.

Harry E. Eakin
INSURANCE COMMISSIONER

Withdrawn

VOLUNTARY STANDARDS COMPLIANCE RESPONSE

The undersigned, on behalf of _____ (insurer) hereby certifies to having reviewed the proposed voluntary standards for cancellation, renewal and non-renewal of commercial property and casualty insurance policies in the State of Indiana dated January 22, 1986.

The undersigned further certifies that:

_____ Yes, the above-named insurer will voluntarily comply with the standards.

_____ No, the above-named insurer will not voluntarily comply with the standards (if No, please comment).

_____ The above-named insurer does not write commercial insurance.

Comments _____

Signed: _____
(Name)

(Title)

Date: _____

**STANDARDS FOR CANCELLATION, RENEWAL AND NON-RENEWAL
OF COMMERCIAL PROPERTY AND CASUALTY INSURANCE POLICIES**

1. These standards apply to all lines of commercial property and casualty insurance.
2. These standards will expire on December 31, 1986.

In October, 1986, The Department of Insurance will evaluate the insurance marketplace and determine whether the standards should be extended, modified or allowed to expire.

3. Any policy may be cancelled at any time for fraud, material misrepresentation or non-payment of premium by mailing a 10-day notice of cancellation to the insured.
4. Insurers should conduct their initial underwriting during the first 90 days in which a policy is in force.

A new policy may be cancelled for any reason not prohibited under current law by mailing 30 days' notice of cancellation (10 days for fraud, material misrepresentation or non-payment of premium) to the insured before the policy has been in effect 90 days.

5. After a policy has been in effect more than 90 days, cancellation should be based only on certain specified reasons.

After a new policy has been in effect for more than 90 days, and at any time during the period of a renewal policy, an insurer will cancel only for the following reasons, with the indicated amount of notice:

- (a) Non-payment of premium, fraud or material misrepresentation -- 10 days.
- (b) Change in the risk which substantially increases any hazard insured against, except to the extent that the insurer should reasonably have foreseen the change or contemplated the risk in writing the contract -- 30 days.
- (c) Failure of the insured to comply with reasonable safety recommendations -- 20 days.

An insurer may exempt itself from these restrictions on mid-term cancellation by filing a notice with the Insurance Commissioner that compliance with these restrictions would cause it to suffer significant financial impairment jeopardizing its solvency.

6. Notice of non-renewal should be mailed at least 45 days in advance.

An insurer may non-renew a policy by mailing to the insured at least 45 days in advance of expiration a notice of its intent not to renew. In the case of a continuous policy or a policy for a term of more than one year, an insurer may refuse to extend the policy by mailing notice to the insured at least 45 days in advance of the anniversary date of the policy.

7. Renewals should be sent to insureds sufficiently in advance of expiration to allow an opportunity to seek alternative coverage.
 - (a) Continuous policies and policies written for a term of more than one year.

If an insurer elects to continue a policy past its anniversary date, the insurer shall endeavor to have the insured receive the extension or a firm quotation for the extension period at least 30 days before the anniversary date of the policy. If the extension or quotation is not received 30 days in advance, the insured will have the option to continue coverage for up to 30 days from the date of receipt, so long as the insured pays the premium for the extended period of coverage in advance. The premium for the 30-day extension will be computed pro-rata based upon the rates, credits, and debits which applied to the policy during the period prior to the anniversary date.

(b) Annual term policies.

The insurer shall endeavor to provide the insured with a renewal policy or firm quotation at least 30 days prior to expiration. Otherwise, the insured will have the option to continue coverage for up to 30 days from the date the renewal or quotation is received, so long as the insured pays the premium for the extended 30-day period of coverage in advance, with the premium being computed pro-rata based upon the rates, credits and debits which apply to the expiring policy.