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**HOUSE BILL NO. 814**

AMENDMENT IN THE NATURE OF A SUBSTITUTE  
(Proposed by the House Committee on Commerce and Labor  
on December 8, 2004)

(Patron Prior to Substitute—Delegate Eisenberg)

*A BILL to amend and reenact § 38.2-2114 of the Code of Virginia, relating to homeowners insurance; cancellation or nonrenewal; claims inquiries.*

**Be it enacted by the General Assembly of Virginia:**

**1. That § 38.2-2114 of the Code of Virginia is amended and reenacted as follows:**

§ 38.2-2114. Grounds and procedure for termination of policy; contents of notice; review by Commissioner; exceptions; immunity from liability.

A. Notwithstanding the provisions of § 38.2-2105, no policy or contract written to insure owner-occupied dwellings shall be canceled by an insurer unless written notice is mailed or delivered to the named insured at the address stated in the policy, and cancellation is for one of the following reasons:

1. Failure to pay the premium when due;
2. Conviction of a crime arising out of acts increasing the probability that a peril insured against will occur;
3. Discovery of fraud or material misrepresentation;
4. Willful or reckless acts or omissions increasing the probability that a peril insured against will occur as determined from a physical inspection of the insured premises; or
5. Physical changes in the property which result in the property becoming uninsurable as determined from a physical inspection of the insured premises.

B. No policy or contract written to insure owner-occupied dwellings shall be terminated by an insurer by refusal to renew except at the expiration of the stated policy period or term and unless the insurer or its agent acting on behalf of the insurer mails or delivers to the named insured, at the address stated in the policy, written notice of the insurer's refusal to renew the policy or contract.

C. A written notice of cancellation of or refusal to renew a policy or contract written to insure owner-occupied dwellings shall:

1. State the date that the insurer proposes to terminate the policy or contract, which shall be at least 30 days after mailing or delivering to the named insured the notice of cancellation or refusal to renew. However, when the policy is being terminated for the reason set forth in subdivision 1 of subsection A of this section, the date that the insurer proposes to terminate the policy may be less than 30 days but at least 10 days from the date of mailing or delivery;

2. State the specific reason for terminating the policy or contract and provide for the notification required by the provisions of §§ 38.2-608 and 38.2-609 and subsection B of § 38.2-610. However, those notification requirements shall not apply when the policy is being canceled or not renewed for the reason set forth in subdivision 1 of subsection A of this section;

3. Advise the insured that within 10 days of receipt of the notice of termination he may request in writing that the Commissioner review the action of the insurer in terminating the policy or contract;

4. Advise the insured of his possible eligibility for fire insurance coverage through the Virginia Property Insurance Association; and

5. Be in a type size authorized by § 38.2-311.

D. Within 10 days of receipt of the notice of termination any insured or his attorney shall be entitled to request in writing to the Commissioner that he review the action of the insurer in terminating a policy or contract written to insure owner-occupied dwellings. Upon receipt of the request, the Commissioner shall promptly initiate a review to determine whether the insurer's cancellation or refusal to renew complies with the requirements of this section and of § 38.2-2113, if sent by mail. The policy shall remain in full force and effect during the pendency of the review by the Commissioner except where the cancellation or refusal to renew is for reason of nonpayment of premium, in which case the policy shall terminate as of the date stated in the notice. Where the Commissioner finds from the review that the cancellation or refusal to renew has not complied with the requirements of this section or of § 38.2-2113, if sent by mail, he shall immediately notify the insurer, the insured, and any other person to whom notice of cancellation or refusal to renew was required to be given by the terms of the policy that the cancellation or refusal to renew is not effective. Nothing in this section authorizes the Commissioner to substitute his judgment as to underwriting for that of the insurer.

E. Nothing in this section shall apply:

1. To any policy written to insure owner-occupied dwellings that has been in effect for less than 90 days when the notice of termination is mailed or delivered to the insured, unless it is a renewal policy;

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60 2. If the insurer or its agent acting on behalf of the insurer has manifested its willingness to renew  
61 by issuing or offering to issue a renewal policy, certificate or other evidence of renewal, or has  
62 otherwise manifested its willingness to renew in writing to the insured. The written manifestation shall  
63 include the name of a proposed insurer, the expiration date of the policy, the type of insurance coverage  
64 and information regarding the estimated renewal premium;

65 3. If the named insured or his duly constituted attorney-in-fact has notified the insurer or its agent  
66 orally, or in writing, if the insurer requires such notification to be in writing, that he wishes the policy  
67 to be canceled, or that he does not wish the policy to be renewed, or if, prior to the date of expiration,  
68 he fails to accept the offer of the insurer to renew the policy; or

69 4. To any contract or policy written through the Virginia Property Insurance Association or any  
70 residual market facility established pursuant to Chapter 27 (§ 38.2-2700 et seq.) of this title.

71 F. Each insurer shall maintain, for at least one year, records of cancellation and refusal to renew and  
72 copies of every notice or statement referred to in subsection E of this section that it sends to any of its  
73 insureds.

74 G. There shall be no liability on the part of and no cause of action of any nature shall arise against  
75 the Commissioner or his subordinates; any insurer, its authorized representative, its agents, or its  
76 employees; or any firm, person or corporation furnishing to the insurer information as to reasons for  
77 cancellation or refusal to renew, for any statement made by any of them in complying with this section  
78 or for providing information pertaining to the cancellation or refusal to renew.

79 H. Nothing in this section requires an insurer to renew a policy written to insure owner-occupied  
80 dwellings, if the insured does not conform to the occupational or membership requirements of an insurer  
81 who limits its writings to an occupation or membership of an organization.

82 I. No insurer or agent shall refuse to renew a policy written to insure an owner-occupied dwelling,  
83 solely because of any one or more of the following factors:

- 84 1. Age;
- 85 2. Sex;
- 86 3. Residence;
- 87 4. Race;
- 88 5. Color;
- 89 6. Creed;
- 90 7. National origin;
- 91 8. Ancestry;
- 92 9. Marital status;

93 10. Lawful occupation, including the military service; however, nothing in this subsection shall  
94 require any insurer to renew a policy for an insured where the insured's occupation has changed so as to  
95 increase materially the risk;

96 11. Credit information contained in a "consumer report," as defined in the federal Fair Credit  
97 Reporting Act, 15 U.S.C. § 1681 et seq., bearing on a natural person's creditworthiness, credit standing  
98 or credit capacity. If credit information is used, in part, as the basis for the nonrenewal, such credit  
99 information shall be based on a consumer report procured within 120 days from the effective date of the  
100 nonrenewal;

101 12. Any claim resulting primarily from natural causes; ~~or~~

102 13. One or more claims that were incurred more than 60 months immediately prior to the expiration  
103 of the current policy period; *or*

104 14. *Any inquiry from an insured about his insurance coverage or policy provisions. For purposes of*  
105 *this subdivision, "inquiry" means a written or oral communication by an insured seeking information*  
106 *regarding coverage or policy provisions that does not notify the insurer of a loss, incident or accident,*  
107 *and that does not provide information indicating an increase in the hazard insured against. An insurer*  
108 *shall not report any inquiry as a claim to a loss history database maintained by a consumer reporting*  
109 *agency or insurance support organization.*

110 Nothing in this section prohibits any insurer from setting rates in accordance with relevant actuarial  
111 data.

112 J. No insurer shall cancel or refuse to renew a policy written to insure an owner-occupied dwelling  
113 because an insured under the policy is a foster parent and foster children reside at the insured dwelling.