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HOUSE BILL NO. 1887

Offered January 14, 2009

Prefiled January 12, 2009

A BILL to amend and reenact § 38.2-2114 of the Code of Virginia, relating to foreclosure as grounds for cancellation of property insurance policy.

Patron—Nixon

Referred to Committee on Commerce and Labor

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; or

6. *Foreclosure efforts by the secured party against the subject property covered by the policy that have resulted in the sale of the property by a trustee under a deed of trust as duly recorded in the land title records of the jurisdiction in which the property is located.*

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

INTRODUCED

HB1887

59 to whom notice of cancellation or refusal to renew was required to be given by the terms of the policy
60 that the cancellation or refusal to renew is not effective. Nothing in this section authorizes the
61 Commissioner to substitute his judgment as to underwriting for that of the insurer.

62 E. Nothing in this section shall apply:

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

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

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

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

76 5. If an affiliated insurer has manifested its willingness to provide coverage at a lower premium than
77 would have been charged for the same exposures on the expiring policy. The affiliated insurer shall
78 manifest its willingness to provide coverage by issuing a policy with the types and limits of coverage at
79 least equal to those contained in the expiring policy unless the named insured has requested a change in
80 coverage or limits. When such offer is made by an affiliated insurer, an offer of renewal shall not be
81 required of the insurer of the expiring policy, and the policy issued by the affiliated insurer shall be
82 deemed to be a renewal policy.

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

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

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

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

96 1. Age;

97 2. Sex;

98 3. Residence;

99 4. Race;

100 5. Color;

101 6. Creed;

102 7. National origin;

103 8. Ancestry;

104 9. Marital status;

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

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

113 12. Any claim resulting primarily from natural causes;

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

116 14. Any inquiry from an insured about his insurance coverage or policy provisions. For purposes of
117 this subdivision, "inquiry" means a written or oral communication by an insured seeking information
118 regarding coverage or policy provisions that does not notify the insurer of a loss, incident or accident,
119 and that does not provide information indicating an increase in the hazard insured against. An insurer
120 shall not report any inquiry as a claim to a loss history database maintained by a consumer reporting

121 agency or insurance support organization.

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

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

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HB1887