

15101085D

HOUSE BILL NO. 1357

Offered January 14, 2015

Prefiled December 2, 2014

A BILL to amend and reenact §§ 38.2-231, 38.2-2113, and 38.2-2208 of the Code of Virginia, relating to notices relating to certain insurance policies.

Patron—Miller

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:

1. That §§ 38.2-231, 38.2-2113, and 38.2-2208 of the Code of Virginia are amended and reenacted as follows:

§ 38.2-231. Notice of cancellation, refusal to renew, reduction in coverage or increase in premium of certain liability insurance policies.

A. 1. No cancellation or refusal to renew by an insurer of (i) a policy of insurance as defined in § 38.2-117 or 38.2-118 insuring a business entity; (ii) a policy of insurance that includes as a part thereof insurance as defined in § 38.2-117 or 38.2-118 insuring a business entity; (iii) a policy of motor vehicle insurance against legal liability of the insured as defined in § 38.2-124 insuring a business entity; or (iv) a policy of miscellaneous casualty insurance as defined in subsection B of § 38.2-111 insuring a business entity shall be effective unless the insurer delivers or mails to the first named insured at the address shown on the policy a written notice of cancellation or refusal to renew, or delivers such notice electronically to the address provided by the first named insured. Such notice shall:

a. Be in a type size authorized under § 38.2-311;

b. State the date, which shall not be less than 45 days after the delivery or mailing of the notice of cancellation or refusal to renew, on which such cancellation or refusal to renew shall become effective, except that such effective date may not be less than 15 days from the date of mailing or delivery when the policy is being cancelled or not renewed for failure of the insured to discharge when due any of its obligations in connection with the payment of premium for the policy;

c. State the specific reason or reasons of the insurer for cancellation or refusal to renew;

d. Advise the first named insured of its right to request in writing, within 15 days of the receipt of the notice, that the Commissioner of Insurance review the action of the insurer; and

e. In the case of a policy of motor vehicle insurance, inform the first named insured of the possible availability of other insurance which may be obtained through its agent, through another insurer, or through the Virginia Automobile Insurance Plan.

2. Nothing in this subsection shall apply to any policy of insurance if the named insured or his duly constituted attorney-in-fact has notified orally, or in writing, if the insurer requires such notification to be in writing, the insurer or its agent that he wishes the policy to be canceled or that he does not wish the policy to be renewed, or if, prior to the date of expiration, he fails to accept the offer of the insurer to renew the policy.

3. Nothing in this subsection shall apply if an affiliated insurer has manifested its willingness to provide coverage at a lower premium than would have been charged for the same exposures on the expiring policy. The affiliated insurer shall manifest its willingness to provide coverage by issuing a policy with the types and limits of coverage at least equal to those contained in the expiring policy unless the named insured has requested a change in coverage or limits. When such offer is made by an affiliated insurer, an offer of renewal shall not be required of the insurer of the expiring policy, and the policy issued by the affiliated insurer shall be deemed to be a renewal policy.

B. No insurer shall cancel or refuse to renew a policy of motor vehicle insurance against legal liability of the insured as defined in § 38.2-124 insuring a business entity solely because of lack of supporting business or lack of the potential for acquiring such business.

C. No reduction in coverage for personal injury or property damage liability initiated by an insurer and no insurer-initiated increase in the premium greater than 25 percent of (i) a policy of insurance defined in § 38.2-117 or 38.2-118 insuring a business entity; (ii) a policy of insurance that includes as a part thereof insurance defined in § 38.2-117 or 38.2-118 insuring a business entity; (iii) a policy of motor vehicle insurance against legal liability of the insured as defined in § 38.2-124 insuring a business entity; or (iv) a policy of miscellaneous casualty insurance as defined in subsection B of § 38.2-111 insuring a business entity, and which in the case of a reduction in coverage is subject to § 38.2-1912, shall be effective unless the insurer delivers or mails to the first named insured at the address shown on the policy, or delivers electronically to the address provided by the first named insured, a written notice

INTRODUCED

HB1357

59 of such reduction in coverage or premium increase not later than 45 days prior to the effective date of
60 same. The increase in premium shall be the difference between the renewal premium and the premium
61 charged by the insurer at the effective date of the expiring policy. Such notice shall:

62 1. Be in a type size authorized under § 38.2-311;

63 2. State the date, which shall not be less than 45 days after the delivery or mailing of the notice of
64 reduction in coverage or increase in premium, on which such reduction in coverage or increase in
65 premium shall become effective;

66 3. Advise the first named insured of the specific reason for the increase and the amount of the
67 increase, or, if in the case of a reduction in coverage, the specific reason for the reduction and the
68 manner in which coverage will be reduced, or that such information may be obtained from the agent or
69 the insurer;

70 4. Advise the first named insured of its right to request in writing, within 15 days of receipt of the
71 notice, that the Commissioner of Insurance review the action of the insurer.

72 D. If an insurer does not provide notice in the manner required in subsection C, coverage shall
73 remain in effect until 45 days after written notice of reduction in coverage or increase in premium is
74 mailed or delivered to the first named insured at the address shown on the policy, or delivered
75 electronically to the address provided by the first named insured, unless the named insured obtains
76 replacement coverage or elects to cancel sooner in either of which cases coverage under the prior policy
77 shall cease on the effective date of the replacement coverage or the elected date of cancellation as the
78 case may be. If the named insured fails to accept or rejects the changed policy, coverage for any period
79 that extends beyond the expiration date will be under the prior policy's rates, terms and conditions as
80 applied against the renewal policy's limits, rating exposures, and additional coverages. If the named
81 insured accepts the changed policy, the reduction in coverage or increase in premium shall take effect
82 upon the expiration of the prior policy.

83 E. Notice of reduction in coverage or increase in premium shall not be required if:

84 1. The insurer, after written demand, has not received, within 45 days after such demand has been
85 mailed or delivered to the first named insured at the address shown on the policy, or delivered
86 electronically to the address provided by the first named insured, sufficient information from the named
87 insured to provide the required notice;

88 2. Such notice is waived in writing by the named insured;

89 3. The insurer delivers or mails to the first named insured a renewal policy or a renewal offer not
90 less than 45 days prior to the effective date of the policy or, in the case of a medical malpractice
91 insurance policy, not less than 90 days prior to the effective date of the policy;

92 4. The policy is issued to a large commercial risk as defined in subsection C of § 38.2-1903.1 but
93 excluding policies of medical malpractice insurance; or

94 5. The policy is retrospectively rated, where the premium is adjusted at the end of the policy period
95 to reflect the risk's actual loss experience.

96 F. No written notice of cancellation, refusal to renew, reduction in coverage or increase in premium
97 that is mailed or delivered electronically by an insurer to a first named insured in accordance with this
98 section shall be effective unless:

99 1. a. It is sent by registered or certified mail *or any other similar first-class mail tracking method*
100 *that is used or approved by the United States Postal Service*;

101 b. At the time of mailing the insurer obtains a written receipt from the United States Postal Service
102 showing the name and address of the first named insured stated in the policy;

103 c. At the time of mailing the insurer (i) obtains a written receipt from the United States Postal
104 Service showing the date of mailing and the number of items mailed and (ii) retains a mailing list
105 showing the name and address of the first named insured stated in the policy, or the last known address,
106 to whom the notices were mailed, together with a signed statement by the insurer that the written receipt
107 from the United States Postal Service corresponds to the mailing list retained by the insurer; or

108 d. If delivered electronically, the insurer retains evidence of electronic transmittal or receipt of the
109 notification for at least one year from the date of the transmittal; and

110 2. The insurer retains a copy of the notice of cancellation, refusal to renew, reduction in coverage or
111 increase in premium.

112 3. a. If the terms of a policy of motor vehicle insurance insuring a business entity require the notice
113 of cancellation, refusal to renew, reduction in coverage or increase in premium to be given to any
114 lienholder, then the insurer shall mail such notice and retain a copy of the notice in the manner required
115 by this subsection. If the notices sent to the first named insured and the lienholder are part of the same
116 form, the insurer may retain a single copy of the notice. The registered, certified or regular mail postal
117 receipt and the copy of the notices required by this subsection shall be retained by the insurer for at
118 least one year from the date of termination.

119 b. Notwithstanding the provisions of subdivision 3 a, if the terms of the policy require the notice of
120 cancellation, refusal to renew, reduction in coverage or increase in premium to be given to any

lienholder, the insurer and lienholder may agree by separate agreement that such notices may be transmitted electronically provided that the insurer and lienholder agree upon the specifics for transmittal and acknowledgement of notification. Evidence of transmittal or receipt of the notification required by this subsection shall be retained by the insurer for at least one year from the date of termination.

4. Copy, as used in this subsection, shall include photographs, microphotographs, photostats, microfilm, microcard, printouts or other reproductions of electronically stored data, or copies from optical disks, electronically transmitted facsimiles, or any other reproduction of an original from a process which forms a durable medium for its recording, storing, and reproducing.

G. Nothing in this section shall prohibit any insurer or agent from including in a notice of cancellation, refusal to renew, reduction in coverage or premium increase any additional disclosure statements required by state or federal laws.

H. For the purpose of this section, the terms (i) "business entity" shall mean an entity as defined by subsection A of § 13.1-543, § 13.1-603 or 13.1-803 and shall include an individual, a partnership, an unincorporated association, the Commonwealth, a county, city, town, or an authority, board, commission, sanitation, soil and water, planning or other district, public service corporation owned, operated or controlled by the Commonwealth, a locality or other local governmental authority; (ii) "policy of motor vehicle insurance" shall mean a policy or contract for bodily injury or property damage liability insuring a business entity issued or delivered in this Commonwealth covering liability arising from the ownership, maintenance, or use of any motor vehicle, but does not include (a) any policy issued through the Virginia Automobile Insurance Plan, (b) any policy providing insurance only on an excess basis, or (c) any other contract providing insurance to the named insured even though the contract may incidentally provide insurance on motor vehicles; and (iii) "reduction in coverage" shall mean, but not be limited to, any diminution in scope of coverage, decrease in limits of liability, addition of exclusions, increase in deductibles, or reduction in the policy term or duration except a reduction in coverage filed with and approved by the Commission and applicable to an entire line, classification or subclassification of insurance.

I. Within 15 days of receipt of the notice of cancellation, refusal to renew, reduction in coverage or increase in premium, the named insured shall be entitled to request in writing to the Commissioner that he review the action of the insurer. Upon receipt of the request, the Commissioner shall promptly begin a review to determine whether the insurer's notice of cancellation, refusal to renew, reduction in coverage or premium increase complies with the requirements of this section. Where the Commissioner finds from the review that the notice of cancellation, refusal to renew, reduction in coverage or premium increase does not comply with the requirements of this section, he shall immediately notify the insurer, the named insured and any other person to whom such notice was required to be given by the terms of the policy that such notice is not effective. Nothing in this section authorizes the Commissioner to substitute his judgment as to underwriting for that of the insurer. Pending review by the Commission, this section shall not operate to relieve an insured from the obligation to pay any premium when due; however, if the Commission finds that the notice required by this section was not proper, the Commission may order the insurer to pay to the insured any overpayment of premium made by the insured.

J. Every insurer shall maintain for at least one year records of cancellation, refusals to renew, reductions in coverage and premium increases to which this section applies and copies of every notice or statement required by subsections A, C, F and L of this section that it sends to any of its insureds.

K. There shall be no liability on the part of and no cause of action of any nature shall arise against (i) the Commissioner of Insurance or his subordinates; (ii) any insurer, its authorized representative, its agents, or its employees; or (iii) any firm, person or corporation furnishing to the insurer information as to reasons for cancellation, refusal to renew, reduction in coverage or premium increase, for any statement made by any of them in complying with this section or for providing information pertaining thereto.

L. Notwithstanding anything in this section to the contrary, if an insurer cancels or refuses to renew a policy of medical malpractice insurance as defined in § 38.2-2800, or if, as a result of an insurer-initiated increase in premium, the premium increases for a medical malpractice insurance policy by more than 25 percent of the previous policy's premium, the insurer shall provide no fewer than 90 days notice prior to the renewal effective date, or, if such policy is being cancelled or non-renewed for failure of the insured to discharge when due any of its obligations in connection with the payment of premium for the policy, the effective date of cancellation or refusal to renew shall not be less than 15 days from the date of mailing or delivery of the notice. The increase in the premium shall be the difference between the renewal premium and the premium charged by the insurer at the effective date of the expiring policy.

M. As used in this section, an "insurer-initiated increase in premium" means an increase in premium other than one resulting from changes in (i) coverage requested by the insured, (ii) policy limits

182 requested by the insured, (iii) the insured's operation or location that result in a change in the
183 classification of the risk, or (iv) the rating exposures including, but not limited to, increases in payroll,
184 receipts, square footage, number of automobiles insured, or number of employees.

185 **§ 38.2-2113. Mailing or electronic delivery of notice of cancellation or refusal to renew.**

186 A. No written notice of cancellation or refusal to renew a policy written to insure owner-occupied
187 dwellings shall be effective when mailed or delivered electronically by an insurer unless:

188 1. a. It is sent by registered or certified mail *or any other similar first-class mail tracking method*
189 *that is used or approved by the United States Postal Service*;

190 b. At the time of mailing the insurer obtains a written receipt from the United States Postal Service
191 showing the name and address of the insured stated in the policy;

192 c. At the time of mailing the insurer (i) obtains a written receipt from the United States Postal
193 Service showing the date of mailing and the number of items mailed and (ii) retains a mailing list
194 showing the name and address of the insured stated in the policy, or the last known address, to whom
195 the notices were mailed, together with a signed statement by the insurer that the written receipt from the
196 United States Postal Service corresponds to the mailing list retained by the insurer; or

197 d. If delivered electronically, the insurer retains evidence of electronic transmittal or receipt of the
198 notification for at least one year from the date of the transmittal; and

199 2. The insurer retains a copy of the notice of cancellation or refusal to renew.

200 3. [Repealed.]

201 B. This section shall not apply to policies written through the Virginia Property Insurance
202 Association or any other residual market facility established pursuant to Chapter 27 (§ 38.2-2700 et seq.)
203 of this title.

204 C. 1. If the terms of the policy require the notice of cancellation or refusal to renew to be given to
205 any lienholder, then the insurer shall mail such notice and retain a copy of the notice in the manner
206 required by subsection A of this section. If the notices sent to the insured and the lienholder are part of
207 the same form, the insurer may retain a single copy of the notice. The registered, certified or regular
208 mail postal receipt and copy of the notices required by this section shall be retained by the insurer for at
209 least one year from the date of termination.

210 2. Notwithstanding the provisions of subdivision C 1, if the terms of the policy require the notice of
211 cancellation or refusal to renew to be given to any lienholder, the insurer and lienholder may agree by
212 separate agreement that such notices may be transmitted electronically provided that the insurer and
213 lienholder agree upon the specifics for transmittal and acknowledgement of notification. Evidence of
214 transmittal or receipt of the notification required by this subsection shall be retained by the insurer for at
215 least one year from the date of termination.

216 D. Copy, as used in this section, shall include photographs, microphotographs, photostats, microfilm,
217 microcard, printouts or other reproductions of electronically stored data or copies from optical disks,
218 electronically transmitted facsimiles, or any other reproduction of an original from a process which
219 forms a durable medium for its recording, storing, and reproducing.

220 **§ 38.2-2208. Notices of cancellation or refusal to renew motor vehicle insurance policies.**

221 A. No written notice of cancellation or refusal to renew that is mailed or delivered electronically by
222 an insurer to an insured in accordance with the provisions of a motor vehicle insurance policy shall be
223 effective unless:

224 1. a. It is sent by registered or certified mail *or any other similar first-class mail tracking method*
225 *that is used or approved by the United States Postal Service*;

226 b. At the time of mailing the insurer obtains a written receipt from the United States Postal Service
227 showing the name and address of the insured stated in the policy;

228 c. At the time of mailing the insurer (i) obtains a written receipt from the United States Postal
229 Service showing the date of mailing and the number of items mailed and (ii) retains a mailing list
230 showing the name and address of the insured stated in the policy, or the last known address, to whom
231 the notices were mailed, together with a signed statement by the insurer that the written receipt from the
232 United States Postal Service corresponds to the mailing list retained by the insurer; or

233 d. If such notice is delivered electronically, the insurer retains evidence of electronic transmittal or
234 receipt of the notification for at least one year from the date of the transmittal; and

235 2. The insurer retains a copy of the notice of cancellation or refusal to renew.

236 3. [Repealed.]

237 B. 1. If the terms of the policy require the notice of cancellation or refusal to renew to be given to
238 any lienholder, then the insurer shall mail such notice and retain a copy of the notice in the manner
239 required by subsection A of this section. If the notices sent to the insured and the lienholder are part of
240 the same form, the insurer may retain a single copy of the notice. The registered, certified or regular
241 mail postal receipt and the copy of the notices required by this section shall be retained by the insurer
242 for at least one year from the date of termination.

243 2. Notwithstanding the provisions of subdivision B 1, if the terms of the policy require the notice of

244 cancellation or refusal to renew to be given to any lienholder, the insurer and lienholder may agree by
245 separate agreement that such notices may be transmitted electronically provided that the insurer and
246 lienholder agree upon the specifics for transmittal and acknowledgement of notification. Evidence of
247 transmittal or receipt of the notification required by this subsection shall be retained by the insurer for at
248 least one year from the date of termination.

249 C. "Copy," as used in this section, shall include photographs, microphotographs, photostats,
250 microfilm, microcard, printouts or other reproductions of electronically stored data, or copies from
251 optical disks, electronically transmitted facsimiles, or any other reproduction of an original from a
252 process which forms a durable medium for its recording, storing, and reproducing.