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THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 564 Session of 2013

INTRODUCED BY RAFFERTY, FARNESE, YUDICHAK, TARTAGLIONE, BROWNE, VULAKOVICH, FERLO, FONTANA, SOLOBAY AND ALLOWAY, FEBRUARY 22, 2013

REFERRED TO BANKING AND INSURANCE, FEBRUARY 22, 2013

AN ACT

Amending the act of July 3, 1986 (P.L.396, No.86), entitled "An act requiring notice of rate increases, policy cancellations and nonrenewals by property and casualty insurers," further providing for notices.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Section 1 of the act of July 3, 1986 (P.L.396, No.86), entitled "An act requiring notice of rate increases, policy cancellations and nonrenewals by property and casualty insurers," amended June 13, 1995 (P.L.60, No.10), is amended to read:

Section 1. Notice of increase in premium.

Notwithstanding any other provision of law, a policy of insurance covering commercial property or casualty risks in this Commonwealth shall provide for not less than [30] 60 days' advance notice to the named insured of an increase in renewal premium. This section shall not apply to policies written on a retrospective rating plan.

Section 2. Section 3(a) of the act is amended to read:

Section 3. Notice requirements for midterm cancellations and nonrenewals.

(a) Requirements.--Notices of midterm cancellation and nonrenewal shall meet the following requirements:

(1) The midterm cancellation or nonrenewal notice shall be forwarded by registered or first class mail or delivered by the insurance company directly to the named insured or insureds.

(2) Written notice of nonrenewal in the manner prescribed in this section must be forwarded directly to the named insured or insureds at least [60] <u>90</u> days in advance of the effective date of termination.

(3) Written notice of cancellation in the manner prescribed in this section must be forwarded directly to the named insured or insureds at least [60] <u>90</u> days in advance of the effective date of termination unless one or more of the following exist:

(i) The insured has made a material misrepresentation which affects the insurability of the risk, in which case the prescribed written notice of cancellation shall be forwarded directly to the named insured at least 15 days in advance of the effective date of termination.

(ii) The insured has failed to pay a premium when due, whether the premium is payable directly to the company or its agents or indirectly under a premium finance plan or extension of credit, in which case the prescribed written notice of cancellation shall be forwarded directly to the named insured at least 15 days in advance of the effective date of termination.

(iii) The policy was canceled by the named insured, in which case written notice of cancellation shall not be required and coverage shall be terminated on the date requested by the insured.

Nothing in this paragraph shall restrict the insurer's right to rescind an insurance policy ab initio upon discovery that the policy was obtained through fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company.

(4) The notice shall be clearly labeled "Notice of Cancellation" or "Notice of Nonrenewal."

(5) A midterm cancellation or nonrenewal notice shall state the specific reasons for the cancellation or nonrenewal. The reasons shall identify the condition, factor or loss experience which caused the midterm cancellation or nonrenewal. The notice shall provide sufficient information or data for the insured to correct the deficiency.

(6) A midterm cancellation or nonrenewal notice shall state that, at the insured's request, the insurer shall provide loss information to the insured for at least three years or the period of time during which the insurer has provided coverage to the insured, whichever is less. Loss information on the insured shall consist of the following:

(i) Information on closed claims, including date and description of occurrence, and amount of payments, if any.

(ii) Information on open claims, including date and description of occurrence, amount of payment, if any, and amount of reserves, if any.

(iii) Information on notices of occurrence, including date and description of occurrence and amount of reserves, if any.

(7) The insured's written request for loss information must be made within ten days of the insured's receipt of the midterm cancellation or nonrenewal notice. The insurer shall have 30 days from the date of receipt of the insured's written request to provide the requested information.

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Section 3. This act shall take effect in 60 days.