HB8

FY4ZC5C-2

By Representative Brown

RFD: Insurance

First Read: 06-Feb-24

PFD: 01-Dec-23

A BILL

TO BE ENTITLED

AN ACT

Relating to cancellation, nonrenewal, or restriction of coverage under a property insurance policy; to require insurers to provide certain persons insured under a property insurance policy with certain written notice prior to cancellation, nonrenewal, or coverage restriction of the policy; and to deem cancellation, nonrenewal, or coverage restriction by an insurer ineffective under certain limited circumstances.

BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

Section 1. As used in this section, the following terms have the following meanings:

(1) AFFILIATE TRANSFER. When an insurer transfers, at renewal or policy expiration, its personal lines property insurance policies or commercial lines property insurance policies to an affiliated licensed insurer that is a member of the same insurance group or same holding company as the transferring insurer. The issuance of a replacement policy form providing the same or substantially similar coverage issued by the same insurer, or the transfer of personal lines property insurance policies or commercial lines property

insurance policies to a licensed affiliate insurer that will issue the same or substantially similar policy, is considered a renewal and will not be treated as a cancellation or nonrenewal. The policy transfer must be selected on a nondiscriminatory basis.

(2) CANCELLATION. The decision by an insurer in accordance with Section 2 to terminate coverage to a policyholder prior to the expiration of the current term.

(3) COVERAGE RESTRICTION. Any imposition of a wind exclusion or hurricane deductible, or increasing an existing hurricane deductible, where the restriction applies to a category or group of policyholders at renewal and is not a result of prior claims history.

(4) INSURER. Includes authorized insurers and unauthorized insurers as defined in Section 27-1-2, Code of Alabama 1975, and surplus lines insurers providing property insurance policies on risks located in the state of Alabama. The term shall not apply to a liability self-insurance fund as defined in Section 11-30-1, Code of Alabama 1975.

(5) NONPAYMENT OF PREMIUM. The failure of the named insured to, when due, discharge any of his or her obligations in connection with the payment of premiums on a policy of insurance or any installment of such premium, whether the premium is payable directly to the insurer or its agent or indirectly under any premium finance plan or extension of credit.

(6) NONRENEWAL. The decision by an insurer to not renew coverage to a policyholder for an additional term.

(7) PROPERTY INSURANCE. The term includes homeowners insurance, condominium insurance, dwelling fire policies that provide dwelling or contents coverage, renters or tenants insurance, mobile home or manufactured home insurance, and commercial lines policies. Creditor placed property insurance and automobile insurance are excluded.

(8) SUBSTANTIALLY SIMILAR. A policy that provides the same basic coverages but may add, alter, or eliminate incidental coverages and may provide coverages using different textual language.

Section 2. (a) This section shall not apply to property insurance policies issued to any of the following:

(1) Any state, county, or local government or any boards, councils, commissions, or committees thereof.

(2) Any entity organized under the statutory authority of, and whose members, directors, trustees, or stockholders are selected, appointed, or chosen by, the chief executive officer or governing body of a state, county, or local government.

(b)(1) A cancellation or nonrenewal of a property insurance policy is not effective as to any coverage issued or renewed after January 1, 2026, unless notice is mailed or delivered to the insured and to any named creditor loss payee by the insurer not less than 30 days prior to the effective date of the cancellation or nonrenewal. This section shall not apply to nonpayment of premiums unless there is a named creditor loss payee, in which case at least 10 days' notice is required.

(2) The cancellation and nonrenewal notice requirements of this section shall not apply when a replacement policy form is issued by the same insurer or when a transfer of an insured to a licensed affiliate of the insurer occurs, so long as the replacement of policy forms or transfer results in the same or substantially similar coverage and the insurer mails or delivers to the insured at least 30 days prior to the renewal effective date notice of any term or condition that is less favorable to the policyholder.

(3) The provisions of subdivisions (1) and (2) shall be incorporated into each property insurance policy issued or renewed after January 1, 2026, and if the provisions are not expressly stated in the policy, the provisions shall be deemed to be incorporated in the policy.

(c) Whenever a replacement policy form is issued by the same insurer or when transfer of an insured to a licensed affiliate occurs, documents signed by the insured are applicable to the replacement policy form, or the coverage is transferred to the licensed affiliate insurer, or both, and the policy shall remain valid and enforceable.

(d) A transferring insurer shall provide the policyholder written notice of the policy transfer at least 30 days prior to expiration of the policy term. The notice must be provided to the policyholder with the notice of renewal premium at least 30 days before the effective date of the transfer.

(e) No notice of cancellation of a property insurance policy shall be effective unless it is based on one or more of the following reasons:

(1) Nonpayment of premium.

(2) The policy was obtained through a material misrepresentation.

(3) An insured violated any of the terms and conditions of the policy.

(4) An insured made a false or fraudulent claim or knowingly aided or abetted another in the presentation of such a claim.

(5) Failure to maintain membership in any group or organization when such membership is a prerequisite to the purchase of the insurance.

(6) The insured property is so mechanically or structurally defective or changed in shape or condition during the policy period so as to increase the risk substantially.

(f)(1) Every insurer selling property insurance shall provide written notice of a coverage restriction or nonrenewal, where the nonrenewal applies to a category or group of policyholders at renewal and is not a result of prior claims history, to the Commissioner no less than 60 days prior to the effective date of the proposed coverage restriction or category or group nonrenewal. The notice shall include the type of policies, the type of coverage restrictions, the category or group of policyholders to be affected, the number of policyholders to be affected, and the names of the Alabama counties in which policyholders to be affected reside.

(2) Every insurer selling property insurance shall provide written notice of a coverage restriction or

nonrenewal, where the nonrenewal applies to a category or group of policyholders at renewal and is not a result of prior claims history, to the policyholder no less than 30 days prior to the effective date of the proposed coverage restriction or category or group nonrenewal.

(g)(1) Subsections (e) and (f) shall not apply to any property insurance policy which has been in effect less than 60 days at the time notice of cancellation is mailed or delivered by the insurer unless it is a renewal policy.

(2) Renewal of a property insurance policy shall not constitute a waiver or estoppel with respect to grounds for cancellation which existed before the effective date of the renewal.

(3) Proof of mailing or delivery of notice of cancellation, coverage restriction, nonrenewal, or of reasons for cancellation to the policyholder shown in the policy shall be sufficient proof of notice.

(4) Where the reason or reasons for cancellation do not accompany or are not included in the notice of cancellation, the insurer, upon written request of the policyholder, shall mail or deliver notice to the policyholder not less than 15 days prior to the effective date of cancellation and specify in writing the reason or reasons for the cancellation. The reasons shall be mailed or delivered to the named insured within five days after nonpayment of the premium. This subdivision shall apply only to a cancellation.

(h) There shall be no liability on the part of and no cause of action of any nature shall arise against any insurer, its authorized representative, its agents, its employees, or any person furnishing to the policyholder any information as to cancellation, coverage restriction, or nonrenewal, for any statement made by any of them in any written notice of cancellation, coverage restriction, or nonrenewal, or for the providing of information pertaining thereto, or for statements made or evidence submitted at the hearings conducted in connection therewith.

(i) If any portion of this act or its applicability to any person or circumstance is held invalid by a court, the remainder of the act or the applicability of the provision to other persons or circumstances shall not be affected.

Section 3. This act shall become effective on October 1, 2024.

House of Representatives

Read for the first time and referred 06-Feb-23
to the House of Representatives
committee on Insurance

Read for the second time and placed 06-Mar-24
on the calendar:
0 amendments

Read for the third time and passed 04-Apr-24
as amended
Yeas 102
Nays 0
Abstains 0

John Treadwell
Clerk