

July 7, 2008 Email for Division's responses – Flood Questions

Below are the Division's responses to questions raised by some insurers.

1. Who are affected policyholders?

Answer: Policyholders in counties declared to be disaster areas by the President or the Governor.

2. What are the areas affected by this bulletin?

Answer: Property located in declared disaster areas. Companies may use zip codes to identify property or policyholders if that permits easier identification of insured property located in declared disaster areas.

3. What is the specific intent of the bulletin?

Answer: To provide a 60 day moratorium on policy cancellations and non-renewals, and related consumer protections as set forth in the bulletin, for policyholders and property in declared disaster areas. It is a moratorium, not a waiver of premium.

4. How long is the protection against cancellation or non-renewal to be maintained?

Answer: The moratorium is to be maintained until August 18, 2008.

5. Does this bulletin supersede existing statute regarding other notice provisions for cancellation and non-renewal?

Answer: No. All statutory notice provisions are applicable and will be applicable once the moratorium ends. The moratorium only delays notice requirements related to cancellations and non-renewals. It does not change them.

6. Does compliance with this bulletin trigger any duties or obligations for insurers to extend coverage for any other time periods?

Answer: The moratorium extends time periods only to the extent required to satisfy statutory notice provisions.

7. Are insurers expected to apply the bulletin's moratorium provisions to cases of suspected fraud, misrepresentation, or in any other ways contrary to standard and traditional norms of underwriting?

Answer: The moratorium is applicable to all cancellations and non-renewals.

8. Can a policyholder cancel his or her coverage?

Answer: Yes.

9. How are insurers expected to provide notice of their actions?

Answer: The Division leaves to the companies the preferred methods of communicating with their policyholders.

10. How does this bulletin impact an insurer's ability to reject new property-casualty business under the 60-day discovery window?

Answer: The bulletin applies only to cancellations and non-renewals and related consumer protections, including those occurring within the first 60 day discovery window.

11. In cases where policies are either being rewritten in affiliated companies or are in the process of being reissued in the same company, and include increases in premium and/or reductions in coverage, can these events continue to occur? Will the companies be granted an extension of time to give insureds notice of changes in premium and/or coverage that would otherwise be required?

Answer: Yes, companies can continue with policy renewals. Companies will be afforded appropriate extensions of time where warranted to comply with Section 143.17a.

12. Some companies are not able to modify their systems in time to stop all of the cancellations/nonrenewals to affected policyholders. May these companies use alternative methods to avoid unfair consequences to consumers impacted by the flooding?

Answer: No.

13. If a policy could be cancelled for any reason because it was in its first 60 days following inception, but that period of time falls within the 60 day moratorium, thereby precluding a cancellation, does the remainder of that 60 day period of cancellation for any reason run after the expiration of the moratorium, or is the company now on the policy until it can be nonrenewed or until it can be cancelled for a specific permitted reason (such as misrepresentation or fraud)?

Answer: The remainder of the 60 day cancellation for any reason runs after the expiration of the moratorium.

14. If there is a first party covered loss during the moratorium and the insured does not pay his premium after the moratorium, can the insurer deduct the premium from the claim payment?

Answer: No. As always, premium and claim payments are separate.

15. Can SR26s continue to be issued to nonaffected policyholders simply because they live in a disaster declared county?

Answer: No.