



Cancellation of Insurance Coverage for Entirely Abandoned Property

S.B. 58 (Senator Dennis Egan)

The Bill: An abandoned home greatly increases the risk of damage beyond what was contemplated in the insurance policy, which was underwritten and insured based on the property generally being occupied. S.B. 58 provides a common sense clarification to current Alaska law allowing an insurer to exercise their right to cancel a personal property policy where the property has been entirely abandoned by the customer increasing the hazard insured against.

State Farm Supports S.B. 58:

- Under Alaska law, an insurer can cancel a personal property insurance policy for a limited number of reasons. As currently written, the law is unclear whether the entire abandonment of the property by the customer that increases the hazard insured against is an allowable reason for cancelling the insurance policy.
- Alaska is the ONLY state that doesn't allow insurance companies to cancel coverage on an entirely abandoned property. S.B. 58 brings Alaska in line with all other states and establishes restrictive circumstances for triggering cancellation.
- A property that has been entirely abandoned is at greater risk of damage caused by vandalism, fire, broken water pipes, or other perils. Undetected and unreported, these losses result in claim costs far higher than if there had been reasonable opportunity for timely mitigation.
- S.B. 58 has restrictions to ensure Alaska's recreational properties and seasonal homes are not incorrectly deemed abandoned. These protections are:
 - S.B. 58 restricts cancellation to property that has been entirely abandoned, which requires among other things that the property no longer be occupied by the insured as intended in the insurance policy.
 - The insurance policy cannot be cancelled where the owner or the owner's agent demonstrates that the property is being reasonably maintained and monitored for a condition that might cause damage to the property.
 - Thirty days written notice must be given to both the owner and any lender of record with the insurer.
- S.B. 58 lets insurers manage risk responsibly by cancelling insurance on abandoned property. This is necessary to maintain fair insurance rates for all homeowners.
- S.B. 58 is responsible legislation that helps manage the risk pool, claim costs, and ultimately the cost of personal property insurance for homeowners in Alaska.
- The Alaska Division of Insurance has reviewed S.B. 58. The Department of Insurance has no concerns with the language or requirements. The Insurance Department agrees that abandoned property as defined in S.B. 58 bill should be a valid reason for insurers to exercise their right to cancel a personal property insurance policy.