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Referred: State Affairs,  
Judiciary and Finance

1 IN THE HOUSE

BY CORNELIUS

2 HOUSE BILL NO. 154

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the cancellation or refusal to  
7 renew certain automobile insurance policies."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 21.36 is amended by adding new sections to read:

10 Sec. 21.36.210. LIMITS ON CANCELLATION OR REDUCTION. (a) In  
11 automobile liability insurance policies, no cancellation or reduction  
12 in the limits of liability of coverage during the policy period is  
13 effective unless notice of the cancellation or reduction is given and  
14 unless it is based on one or more reasons stated in the policy. These  
15 reasons are limited to the following:

- 16 (1) nonpayment of premium;
- 17 (2) the policy was obtained through a material misrepresenta-  
18 tion;
- 19 (3) the insured made a false or fraudulent claim or knowingly  
20 aided or abetted another person in the presentation of such a claim;
- 21 (4) the named insured failed to disclose fully his motor  
22 vehicle accidents and moving traffic violations for the preceding 36  
23 months as called for in his written application;
- 24 (5) the named insured failed to disclose in his written  
25 application any requested information necessary for the acceptance or  
26 proper rating of the risk;
- 27 (6) the named insured knowingly failed to give any required  
28 written notice of loss or notice of lawsuit commenced against him, or,  
29 when requested, refused to cooperate in the investigation of a claim or

1 defense of a lawsuit;

2 (7) the named insured or any other operator who either re-  
3 sides in the same household or customarily operates an automobile in-  
4 sured under the policy

5 (A) has, within the 36 months before the notice of can-  
6 cellation, had his driver's license under suspension or revocation;  
7 or

8 (B) is or becomes subject to epilepsy, alcoholism or heart  
9 attacks, does not produce a written opinion from a physician testi-  
10 fying to his medical ability to operate a motor vehicle safely; or

11 (C) has an accident record, criminal or traffic convic-  
12 tion record, physical condition or mental condition, such that his  
13 operation of an automobile might endanger the public safety; or

14 (D) has been convicted of, or forfeited bail for, dur-  
15 ing the 24 months immediately preceding the notice of cancellation,  
16 criminal negligence in the use or operation of an automobile,  
17 or assault arising out of the operation of a motor vehicle, or  
18 operating a motor vehicle while in an intoxicated condition or  
19 while under the influence of drugs; or leaving the scene of an  
20 accident without stopping to report; or making false statements in  
21 an application for a driver's license, or theft or unlawful taking  
22 of a motor vehicle; or

23 (E) has been convicted of, or forfeited bail for, one  
24 or more violations within the 18 months immediately preceding the  
25 notice of cancellations, of a law, ordinance, or regulation which  
26 justify a revocation of a driver's license.

27 (8) the insured automobile is:

28 (A) so mechanically defective that its operation might  
29 endanger public safety; or

1 (B) used in carrying passengers for hire or compensation,  
2 except for use in a car pool; or

3 (C) used in the business of transportation of flammables  
4 or explosives; or

5 (D) an authorized emergency vehicle; or

6 (E) subject to an inspection law and has not been  
7 inspected or, if inspected, has failed to qualify within the period  
8 specified under the inspection law; or

9 (F) substantially changed in type or condition during  
10 the policy period, increasing the risk substantially, such as  
11 conversion to a commercial type vehicle, a dragster, sports car or  
12 so as to give clear evidence of a use other than the original use.

13 (b) This section does not apply to a policy of automobile  
14 liability insurance which has been in effect less than 60 days at the  
15 time notice of cancellation is mailed or delivered by the insurer unless  
16 it is a renewal policy.

17 (c) Nothing in this section applies to nonrenewal.

18 Sec. 21.36.220. STATEMENT OF REASONS. No notice of cancellation  
19 or reduction in the limits of liability of coverage of an automobile  
20 insurance policy under sec. 210 of this chapter is effective unless  
21 the reason for the cancellation or reduction in the limits of liability  
22 of coverage is stated in the notice and it is mailed or delivered by  
23 the insurer to the named insured at least 30 days before the effective  
24 date of cancellation. However, when nonpayment of premium is the  
25 reason for cancellation, 10 days notice of cancellation is sufficient.

26 Sec. 21.32.230. RENEWAL. No insurer may fail to renew an  
27 automobile liability insurance policy unless it mails or delivers to  
28 the named insured, at the address shown in the policy, at least 30 days  
29 advance notice of its intention not to renew. When the failure to

1 renew is based upon a termination of the agency contract, the notice  
2 shall state this. This section does not apply in the case of non-  
3 payment of premium.

4 (b) If an insurer fails to comply with (a) of this section, the  
5 policy shall terminate on the effective date of any other automobile  
6 liability insurance policy, procured by the insured, with respect to  
7 any automobile designated in both policies.

8 (c) Renewal of a policy may not constitute a waiver or estoppel  
9 with respect to grounds for cancellation which existed before the  
10 effective date of the renewal.

11 Sec. 21.32.240. PROOF OF MAILING. Proof of mailing of notice of  
12 cancellation, reduction in the limits of liability of coverage, or non-  
13 renewal of a policy, to the named insured at the address shown in the  
14 policy, shall be sufficient proof that the required notice has been  
15 given. A certificate of mailing form from the United States Post Office  
16 constitutes proof of mailing.

17 Sec. 21.32.250. NOTICE OF RIGHT TO OBJECT. When the insurer  
18 notifies the policyholder of cancellation or reduction in the limits  
19 of liability of coverage, the insurer shall also notify the named insured  
20 of his right to object to the director within seven days of the receipt  
21 of notice of cancellation or reduction in the limits of liability to  
22 the commissioner. This notice shall accompany or be included in the  
23 notice of cancellation or reduction in the limits of liability of  
24 coverage, and shall state that the notice of the insured's right of  
25 objection to the director is given under secs. 250 and 260 of this  
26 chapter.

27 Sec. 21.32.260. ACTION UPON OBJECTION. (a) An individual who  
28 believes the cancellation or reduction in the limits of liability of  
29 coverage of his policy is arbitrary, capricious or otherwise in

1 violation of secs. 210 - 250 of this chapter may, within seven days after  
2 receipt of the notice, file in writing an objection to the action with  
3 the director.

4 (b) Upon receipt of a written objection under (a) of this section  
5 and any filing fee required by regulation by the director, the director  
6 shall notify the insurer of receipt of the objection and of the right  
7 of the insurer to file a written response to it within 10 days of  
8 receipt of the notification. The director in his discretion may also  
9 order an investigation of the objection, the submission of additional  
10 information by the insured or the insurer about the action by the in-  
11 surer or the objections of the insured, or such other procedure as he  
12 considers appropriate. Within 23 days of receipt of a written objection  
13 by an insured the director shall approve or disapprove the insurer's  
14 action and shall notify the insured and insurer of his final decision.  
15 Either party may institute proceedings for judicial review of the  
16 director's decision, but the director's final decision is binding  
17 pending judicial review.

18 Sec. 21.32.270. IMMUNITY OF INSURER, DIRECTOR AND INFORMER.

19 There is no liability on the part of and no cause of action may arise  
20 against the director or against an insurer, its authorized representa-  
21 tive, agents, employees, or against a person for any statement made by  
22 them in a written notice of cancellation, or for the providing of  
23 information relating to the notice, or for statements made or evidence  
24 submitted at a hearing conducted in connection with the notice.

25 Sec. 21.32.280. APPLICATION OF SECS. 210 - 270 OF THIS CHAPTER.

26 (a) Secs. 210 - 270 of this chapter do not apply to a policy of auto-  
27 mobile liability insurance

- 28 (1) issued under an automobile assigned risk plan; or  
29 (2) insuring more than four automobiles; or

1 (3) covering garage, automobile sales agency, repair shop,  
2 service station, or public parking place operation hazards.

3 (b) Secs. 210 - 270 of this chapter apply only to that portion  
4 of an automobile liability policy insuring against bodily injury and  
5 property damage liability and to provisions relating to medical payments  
6 and uninsured motorists coverage.

7 Sec. 21.36.290. DEFINITIONS. In Secs. 210 - 280 of this chapter,

8 (1) "nonpayment of premium" means failure of the named  
9 insured to discharge when due any of his obligations in connection with  
10 the payment of premiums on a policy of automobile liability insurance  
11 or any installment of the premium, whether it is payable directly to the  
12 insurer or its agent or indirectly under any premium finance plan or  
13 extension of credit;

14 (2) "policy of automobile liability insurance" means a policy  
15 delivered or issued for delivery in this state, insuring a natural  
16 person as named insured, and any relative of the named insured who is a  
17 resident of the same household, covering automobiles owned by the in-  
18 sured of

19 (A) the private passenger type, including a private  
20 passenger, station wagon or jeep type automobile not used as a  
21 public or livery conveyance for passengers, nor rented to others,  
22 or

23 (B) the utility automobile type which means any other  
24 four-wheel vehicle whether having a pick-up, sedan delivery, or  
25 panel truck type body with a load capacity of 1500 pounds or less  
26 not used primarily in the occupation, profession or business of  
27 the insured;

28 (3) "renewal" or "to renew" means the issuance and delivery  
29 by an insurer of a policy superseding at the time of the policy period

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a policy previously issued and delivered by the same insurer, or the issuance and delivery of a certificate or notice extending the term of a policy beyond its policy period or term; but a policy with a policy period or term of less than six months or a policy with no fixed expiration date shall be considered to be written for successive policy periods or terms of six months.