

Introduced: 1/27/86
Referred: Labor and Commerce

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 366

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to cancellation of insurance pol-
7 icies."

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

9 * Section 1. AS 21.36.210(a) is amended to read:

10 (a) An insurer may not exercise its right to cancel a policy of
11 personal [AN] automobile insurance [POLICY] except for the following
12 reasons:

- 13 (1) nonpayment of premium; or
14 (2) the driver's license or motor vehicle registration of
15 either the named insured or of an operator who resides in the same
16 household as the named insured or who customarily operates a motor
17 vehicle insured under the policy has been under suspension or revoca-
18 tion during the policy period or, if the policy is a renewal, during
19 its policy period or the 180 days immediately preceding its effective
20 date.

21 * Sec. 2. AS 21.36.210(d) is amended to read:

- 22 (d) This section does not apply to
23 (1) the failure to renew a policy, except as to coverage in
24 force for less than 12 months;
25 (2) a policy that has been in effect less than 60 days at
26 the time notice of cancellation is mailed or delivered by the insurer,
27 unless it is a renewal policy;
28 (3) a policy issued under an automobile assigned risk plan
29 or automobile insurance plan;

- 1 (4) a policy insuring more than four motor vehicles;
2 (5) a policy covering the operation of a garage; automobile
3 sales agency, repair shop, or service station; or public parking
4 place;
5 (6) a policy providing insurance only on an excess basis;
6 (7) any other contract providing insurance to the named
7 insured, even though the contract may incidentally provide insurance
8 with respect to motor vehicles.

9 * Sec. 3. AS 21.36.210(f) is amended to read:

10 (f) An [NOTWITHSTANDING (e) OF THIS SECTION, AN] insurer may not
11 exercise its right to cancel a policy of personal insurance other than
12 personal automobile insurance, except for the following reasons [THE
13 TYPE DESCRIBED IN (e) OF THIS SECTION IF ONE OF THE FOLLOWING CONDI-
14 TIONS OR CIRCUMSTANCES ARISES]:

15 (1) nonpayment of premiums, including nonpayment of addi-
16 tional premiums, calculated in accordance with the current rating
17 manual of the insurer, justified by a physical change in the insured
18 property or a change in its occupancy or use;

19 (2) conviction of the insured of a crime having as one of
20 its necessary elements an act increasing a hazard insured against;

21 (3) discovery of fraud or material misrepresentation made
22 by the insured or a representative of the insured in obtaining the
23 insurance or by the insured in pursuing a claim under the policy;

24 (4) discovery of a grossly negligent act or omission by the
25 insured that substantially increases the hazards insured against; or

26 (5) physical changes in the insured property that result in
27 the property becoming uninsurable.

28 * Sec. 4. AS 21.36.220 is amended to read:

29 Sec. 21.36.220. NOTICE OF CANCELLATION. (a) An insurer may not

1 exercise its right to cancel a personal insurance policy unless a
2 written notice of cancellation is mailed or delivered to the named
3 insured, at the address shown in the policy, at least 20 days before
4 the effective date of cancellation. However, if [, EXCEPT THAT WHEN]
5 cancellation is for nonpayment of premium, the notice must [SHALL] be
6 mailed or delivered to the named insured at the address shown in the
7 policy at least 10 days before the effective date of cancellation, and
8 must [SHALL] include or be accompanied by a statement of the reason
9 for the cancellation. [THIS SECTION DOES NOT APPLY TO THE FAILURE TO
10 RENEW A POLICY, EXCEPT AS TO COVERAGE IN FORCE FOR LESS THAN 12
11 MONTHS.]

12 (b) An insurer may not exercise its right to cancel a policy of
13 business or commercial insurance unless a written notice of cancella-
14 tion is mailed or delivered to the named insured, at the address shown
15 in the policy, and to the agent or broker of record, at least 45 days
16 before the effective date of cancellation. However, if cancellation
17 is for nonpayment of premium, the notice must be mailed or delivered
18 to the named insured at the address shown in the policy and to the
19 agent or broker of record at least 10 days before the effective date
20 of cancellation, and must include or be accompanied by a statement of
21 the reason for the cancellation.

22 (c) If an insurer cancels a policy under (b) of this section, it
23 shall return any unearned premium to the agent or broker of record or
24 directly to the insured or premium finance company, if applicable,
25 before the effective date of cancellation, except that, if cancel-
26 lation is for nonpayment of premium, any unearned premium must be
27 returned within 45 days after the notice of cancellation is given.

28 * Sec. 5. AS 21.36.240 is amended to read:

29 Sec. 21.36.240. FAILURE TO RENEW. An insurer may not fail to

1 renew a personal insurance policy in force for less than 12 months.
2 An insurer may not fail to renew a policy [IN FORCE FOR 12 MONTHS OR
3 MORE] unless a written notice of nonrenewal is mailed or delivered to
4 the named insured, at the address shown in the policy, at least 20
5 days for a personal insurance policy, and at least 45 days for a
6 business or commercial insurance policy, before the expiration date of
7 the policy[,] or of the anniversary date of a policy written for a
8 term longer than one year or with no fixed expiration date. This
9 section does not apply

10 (1) if the insurer has in good faith manifested in any way
11 its willingness to renew;

12 (2) in case of nonpayment of premium for the expiring
13 policy; or

14 (3) if the insured fails to pay the premium as required by
15 the insurer for renewal.

16 * Sec. 6. AS 21.36.250 is amended to read:

17 Sec. 21.36.250. NOTICE OF ELIGIBILITY. When a policy of automo-
18 bile liability insurance is cancelled, other than for nonpayment of
19 premium, or is not renewed in accordance with [FOR FAILURE TO RENEW A
20 POLICY OF AUTOMOBILE LIABILITY INSURANCE TO WHICH] AS 21.36.240 [AP-
21 PLIES], the insurer shall notify the named insured of possible eligi-
22 bility for automobile insurance through the automobile assigned risk
23 plan, or automobile insurance plan. The notification must [SHALL]
24 accompany or be included in the notice of cancellation or nonrenewal
25 required by AS 21.36.220 [AS 21.36.230] and AS 21.36.240.

26 * Sec. 7. AS 21.36.310 is amended to read:

27 Sec. 21.36.310. DEFINITIONS. In AS 21.36.210 -- 21.36.310

28 (1) "business or commercial insurance" means insurance
29 other than personal insurance, life insurance, disability insurance,

1 title insurance, or an annuity contract;

2 (2) "nonpayment of premium" means failure of the named
3 insured to discharge when due any obligations of the named insured in
4 connection with the payment of premium on a policy, or any installment
5 of the premium, whether the premium is payable directly to the insurer
6 or its agent or indirectly under any premium finance plan or extension
7 of credit;

8 (3) "personal automobile insurance" means insurance not
9 related to business or commercial activities, covering [(2) "POLICY"
10 MEANS AN INSURANCE POLICY COVERING THE RISKS AND EXPOSURES LISTED IN
11 AS 21.36.210(e) OR AN AUTOMOBILE POLICY THAT INCLUDES] automobile
12 liability [COVERAGE], uninsured/underinsured motorists [UNINSURED
13 MOTORIST COVERAGE], automobile medical payments [COVERAGE], or automo-
14 bile physical damage [COVERAGE], which is delivered or issued for
15 delivery in this state [INSURING AS THE NAMED INSURED ONE INDIVIDUAL
16 OR HUSBAND AND WIFE RESIDENT OF THE SAME HOUSEHOLD], and under which
17 the insured vehicles are of the following types only:

18 (A) a motor vehicle of the private passenger or sta-
19 tion wagon type that is not used as a public or livery convey-
20 ance, nor rented to others, or

21 (B) any other four-wheel motor vehicle with a load
22 capacity of 1,500 pounds or less which [THAT] is not used in the
23 occupation, profession, or business of the insured, nor used as a
24 public or livery conveyance, nor rented to others;

25 (4) "personal insurance" does not include an annuity con-
26 tract or a policy of life insurance, disability insurance, or title
27 insurance; the term means personal automobile insurance, or insurance
28 covering

29 (A) loss of or damage to real property that is used

1 predominantly for residential purposes and that does not consist
2 of more than four dwelling units;

3 (B) loss of or damage to personal property, including
4 personal effects, household furniture, fixtures and equipment
5 located in not more than four dwelling units; or

6 (C) legal liability of natural persons for loss of,
7 damage to or injury to persons or property if the insurance does
8 not cover liability arising from or in connection with business
9 or commercial activities;

10 (5) [(3)] "renewal" or "renew" means

11 (A) the issuance and delivery by an insurer of a
12 policy replacing at the end of the policy period a policy previ-
13 ously issued and delivered by the same insurer,

14 (B) the issuance and delivery of a certificate or
15 notice extending the term of a policy beyond its policy period or
16 term, or

17 (C) the extension of the term of a policy beyond its
18 policy period or term under a provision for extending the policy
19 by payment of a continuation premium.

20 * Sec. 8. AS 21.36.210(e), 21.36.230, and 21.36.300 are repealed.