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[REVISOR] PMM/MB AR0650

1 Department of Commerce

2

3 Adopted Rules Relating to Nonrenewal of Homeowners Insurance

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5 Rules as Adopted

6 2880.0050 APPLICABILITY.

7 Parts 2880.0050 to 2880.0800 do not apply to commercial
8 dwellings or farms, nor to policies under joint underwriting
9 agreements where one of the insurers is a township mutual.

10 2880.0100 DEFINITIONS.

11 Subpart 1. Scope. For the purpose of parts 2880.0050 to
12 2880.0800, the terms defined in this part have the meanings
13 given them.

14 Subp. 2. Commercial dwelling. "Commercial dwelling" means
15 a building used primarily to produce income, such as a motel,
16 hotel, or apartment house, but does not include an
17 owner-occupied dwelling of four units or less.

18 Subp. 3. Experience period. "Experience period" means the
19 period of three years immediately preceding the insurer's
20 nonrenewal of a policy of homeowners insurance.

21 Subp. 4. Multiline contract. "Multiline contract" means a
22 single insurance contract which provides coverage for homeowners
23 insurance and for at least one other line of insurance
24 authorized under Minnesota Statutes, section 60A.06, subdivision
25 9.

26 Subp. 5. Nonrenewal. "Nonrenewal" means an action taken
27 by an insurer on an existing policy, at the end of the policy
28 period, to:

29 A. terminate the policy;

30 B. reduce the policy's coverage, unless all the
31 existing policies and those policies to be accepted as new
32 business by the insurer in this state will have the same
33 coverages;

34 C. increase the policy's deductible, unless all
35 existing policies and those policies to be accepted as new

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1 business in this state, by the insurer, will provide for the
2 same higher deductible; or

3 D. transfer a named insured from one rating plan to
4 another within the same company, or from one company to another
5 within a group of insurance companies, if the transfer results
6 in a higher premium. A surcharge applied to a premium for a
7 condition which increases the potential for loss, or the
8 deletion of a claims free discount do not constitute a transfer
9 of rating plans.

10 A policy of homeowners insurance written for a term longer
11 than one year is not subject to nonrenewal until the end of the
12 policy term even if the insurer can restate the policy annually.

13 Subp. 6. Nonrenewal notice. "Nonrenewal notice" means a
14 written notice to a named insured clearly and expressly
15 informing the named insured of the insurer's intention not to
16 renew the policy as of the renewal date.

17 Subp. 7. Policy of homeowners insurance. "Policy of
18 homeowners insurance" means a policy providing property and
19 liability coverage on dwellings and includes policies which are
20 generally described as homeowners policies, mobile homeowners
21 policies, dwelling owners policies, condominium owners policies,
22 and tenants policies.

23 2880.0200 GROUNDS FOR NONRENEWAL.

24 No insurer shall refuse to renew a policy of homeowners
25 insurance unless based on one or more reasons which shall be
26 limited to the following:

27 A. The reasons stated for cancellation in Minnesota
28 Statutes, section 65A.01, subdivision 3a.

29 B. Use of the premises for an illegal activity.

30 C. The termination of an agency contract, except as
31 provided under Minnesota Statutes, section 60A.171, unless the
32 insurer assigns the terminated agent's book of business to
33 another agent. The insurer must transfer the policy to another
34 agent if the insured makes a written request prior to the
35 nonrenewal date. Notification of this right must be included in
36 the nonrenewal notice.

1 D. Violations of local laws or ordinances which
2 increase the possibility of a loss.

3 E. Refusal of the insured to eliminate known
4 conditions which increase the potential for loss after
5 notification by the insurer that the condition must be removed.
6 Before a nonrenewal notice can be issued under this item, two
7 written requests stating the condition to remove and the reason
8 why the condition increases the potential for loss must be sent
9 to the insured. The first notice must inform the insured as to
10 any time limits for compliance. The second notice must inform
11 the insured of the intent to nonrenew the policy if the
12 condition is not removed.

13 F. A substantial change in the quality or
14 availability of fire protection services.

15 G. If the insured has two or more losses during the
16 experience period, but not to include:

17 (1) losses caused by natural causes including but
18 not limited to lightning, wind, or hail; or

19 (2) losses for which no payment was made by the
20 insurer; or

21 (3) losses for which the insurer recovers 80
22 percent or more of the payment through subrogation.

23 H. The insurer ceases to write homeowners insurance
24 in Minnesota.

25 I. Failure of the named insured to provide necessary
26 underwriting information upon written request from the insurer,
27 provided that before a nonrenewal notice can be issued under
28 this item, two written requests asking for the information must
29 be sent to the insured stating the reasons why the information
30 is necessary. The second request must inform the insured of the
31 intent to nonrenew the policy if the information is not received.

32 J. If real property taxes owing on the insured
33 property have been delinquent for two or more years and continue
34 delinquent at the time notice of nonrenewal is issued.

35 K. The named insured no longer owns the property or
36 resides at the insured location, unless the spouse resides at

1 the insured location and retains ownership, in which event the
2 spouse will be endorsed onto the policy as the named insured.

3 If an insurer has grounds to nonrenew a homeowners policy
4 on a primary residence of a named insured, homeowners policies
5 on secondary residences of the insured may also be nonrenewed.
6 Grounds for nonrenewing homeowners policies on secondary
7 residences cannot be used to nonrenew a homeowners policy on the
8 primary residence. If an insured fails to renew the primary
9 residence with an insurer, the insurer may nonrenew the
10 secondary residence.

11 L. The reasons stated in Minnesota Statutes, section
12 72A.20, subdivision 13.

13 2880.0300 WAIVER OF PENALTIES.

14 If an insurer encounters a situation in which the insurer
15 believes that the nonrenewal is not addressed by parts 2880.0050
16 to 2880.0800, the insurer may seek a waiver of penalties under
17 the following procedure:

18 A. Notify the commissioner in writing, at least 90
19 days prior to the policy renewal date, by referring to this part
20 and by stating the reasons for the proposed nonrenewal action.

21 B. If the commissioner determines that the situation
22 is not covered by parts 2880.0050 to 2880.0800, but warrants a
23 nonrenewal, the penalties in part 2880.0800 must be waived. The
24 commissioner may decline to render an opinion.

25 C. The waiver of penalty decision must be retained by
26 the insurer. A copy of the waiver of penalty decision must be
27 returned to the commissioner by the insurer with its response to
28 a written complaint made by the insured.

29 D. The commissioner's decision regarding waiver of
30 penalties will have no bearing on the final decision as to the
31 approval or disapproval of the nonrenewal action.

32 E. There is no precedential value in the
33 commissioner's action under this part and each request must be
34 judged on individual considerations.

35 2880.0400 NONRENEWAL NOTICES.

1 A nonrenewal notice must be on a form approved by the
2 department of commerce and the following information must be
3 furnished to the insured on the front of the notice:

4 A. The specific reasons for the termination, which if
5 based on loss experience must include the date of the loss, the
6 type of loss, and amount of payment.

7 B. A statement advising the insured of the right of
8 complaint with wording such as: "Minnesota law and rules limit
9 the reasons for which your homeowners insurance policy may be
10 nonrenewed, reduced as to the limits of coverage or coverage
11 eliminated, or for which the policy may be canceled. If you
12 believe this termination notice is in violation of Minnesota law
13 or rule, you may, within 30 days of receiving this notice, send
14 a written letter of complaint to the Commissioner of Commerce."

15 C. A statement advising the insured of the
16 availability of insurance from the Minnesota Property Insurance
17 Placement Facility with wording such as: "You may be eligible
18 to obtain insurance coverage through the Minnesota Property
19 Insurance Placement Facility. Your agent can assist you in
20 arranging this coverage."

21 The named insured cannot waive his or her right to receive
22 a nonrenewal notice under the nonrenewal statutes and parts
23 2880.0050 to 2880.0800.

24 2880.0500 VALIDITY OF NOTICE AND NONRENEWAL.

25 No nonrenewal and no notice of nonrenewal of a homeowners
26 policy is valid unless done in compliance with parts 2880.0050
27 to 2880.0800.

28 2880.0600 RECORDKEEPING.

29 Each insurance company shall keep a register of all
30 nonrenewals and company initiated cancellations, except those
31 for nonpayment of premium. The register must be retained for
32 three years and be available to the commissioner of commerce, or
33 a designee, during business hours at the insurance company's
34 place of business.

35 2880.0700 NONRENEWAL OF MULTILINE CONTRACTS.

1 Nothing in parts 2880.0050 to 2880.0800 prohibits an
2 insurance company from nonrenewing a multiline insurance
3 contract. However, if parts 2880.0050 to 2880.0800 prevent
4 nonrenewal of the homeowners insurance portion of the contract,
5 then the insurance company shall issue to the named insured a
6 policy of homeowners insurance providing coverage as included in
7 the multiline contract.

8 2880.0800 PENALTIES.

9 Subpart 1. Generally. An insurer failing to comply with
10 parts 2880.0050 to 2880.0800 is subject to the following
11 penalties during each calendar year period:

- 12 A. first violation, \$100;
- 13 B. second violation, \$300; and
- 14 C. third and subsequent violations, \$500.

15 Subp. 2. Waiver. Monetary penalties will not be levied if
16 the commissioner determines that the nonrenewal notice was based
17 on a good faith judgment supported by evidence that was in the
18 possession of the insurer at the time of the sending of the
19 nonrenewal notice, or if the nonrenewal was subject to the
20 waiver of penalty provisions in part 2880.0300.

21 Subp. 3. Additional penalties. Nothing contained in parts
22 2880.0050 to 2880.0800 prohibits the commissioner of commerce
23 from applying additional penalties or remedies as may be imposed
24 under Minnesota Statutes, chapter 72A.