

1 Department of Commerce

2

3 Adopted Rules Relating to Cancellation of Commercial Policies

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5 Rules as Adopted

6 CANCELLATION, NONRENEWAL, AND CHANGE OF RATES

7 2700.2400 SCOPE.

8 Parts 2700.2400 to 2700.2450 apply to all commercial
9 liability insurance policies issued by companies licensed to do
10 business in this state except workers' compensation insurance,
11 employers' liability, ocean marine insurance, accident and
12 health insurance, excess insurance, surplus line insurance, and
13 reinsurance.

14 2700.2410 MIDTERM CANCELLATION.

15 Subpart 1. Reason for cancellation. No insurer may cancel
16 a policy of commercial liability insurance during the term of
17 the policy, except for one or more of the following reasons:

18 A. nonpayment of premium;

19 B. misrepresentation or fraud made by or with the
20 knowledge of the insured in obtaining the policy or in pursuing
21 a claim under the policy;

22 C. actions by the insured that have substantially
23 increased or substantially changed the risk insured;

24 D. refusal of the insured to eliminate known
25 conditions that increase the potential for loss after
26 notification by the insurer that the condition must be removed;

27 E. substantial change in the risk assumed, except to
28 the extent that the insurer should reasonably have foreseen the
29 change or contemplated the risk in writing the contract;

30 F. loss of reinsurance by the insurer which provided
31 coverage to the insurer for a significant amount of the
32 underlying risk insured. Any notice of cancellation pursuant to
33 this item shall advise the policyholder that he or she has ten
34 days from the date of receipt of the notice to appeal the
35 cancellation to the commissioner of commerce and that the

1 commissioner will render a decision as to whether the
2 cancellation is justified because of the loss of reinsurance
3 within five business days after receipt of the appeal;

4 G. a determination by the commissioner that the
5 continuation of the policy could place the insurer in violation
6 of the insurance laws of this state; or

7 H. nonpayment of dues to an association or
8 organization, other than an insurance association or
9 organization, where payment of dues is a prerequisite to
10 obtaining or continuing such insurance; provided, however, that
11 this provision for cancellation for failure to pay dues shall
12 not be applicable to persons who are retired at 62 years of age
13 or older or who are disabled according to social security
14 standards.

15 Subp. 2. **Notice.** Cancellation under subpart 1, items B to
16 H, shall not be effective prior to 30 days after notice to the
17 policyholder. The notice of cancellation shall contain a
18 specific reason for cancellation as provided in subpart 1.

19 A policy shall not be canceled for nonpayment of premium
20 pursuant to subpart 1, item A unless the insurer, at least ten
21 days prior to the effective cancellation date, has given notice
22 to the policyholder of the amount of premium due and the due
23 date. The notice shall state the effect of nonpayment by the
24 due date. No cancellation for nonpayment of premium shall be
25 effective if payment of the amount due is made prior to the
26 effective date set forth in the notice.

27 Subp. 3. **New policies.** Subparts 1 and 2 do not apply to
28 any insurance policy that has not been previously renewed if the
29 policy has been in effect less than 90 days at the time the
30 notice of cancellation is mailed or delivered. No cancellation
31 under this subpart is effective until at least ten days after
32 the written notice to the policyholder.

33 Subp. 4. **Longer term policies.** A policy may be issued for
34 a term longer than one year or for an indefinite term with a
35 clause providing for cancellation by the insurer for the reasons
36 stated in subpart 1 by giving notice as required by subpart 2 at

1 least 30 days prior to any anniversary date.

2 2700.2420 NONRENEWAL.

3 Subpart 1. **Notice required.** An insurer shall renew the
4 policy, unless at least 30 days prior to the date of expiration
5 provided in the policy, a notice of intention not to renew the
6 policy beyond the agreed expiration date is made to the
7 policyholder.

8 Subp. 2. **Exceptions.** This part does not apply if the
9 policyholder has insured elsewhere, has accepted replacement
10 coverage, or has requested or agreed to nonrenewal.

11 2700.2430 RENEWAL WITH ALTERED RATES.

12 Subpart 1. **General.** Subject to subpart 2, if the insurer
13 offers or purports to renew the policy at less favorable terms
14 as to the dollar amount of coverage or deductibles, higher
15 rates, and/or higher rating plan, the new terms, the new rates
16 and/or rating plan may take effect on the renewal date if the
17 insurer has sent to the policyholder notice of the new terms,
18 new rates and/or rating plan at least 30 days prior to the
19 expiration date. If the insurer has not so notified the
20 policyholder, the policyholder may elect to cancel the renewal
21 policy within the 30-day period after receipt of the notice.
22 Earned premium for the period of coverage, if any, shall be
23 calculated pro rata.

24 Subp. 2. **Exception.** Subpart 1 does not apply if the
25 change relates to guide "a" rates or excess rates also known as
26 "consent to rate."

27 2700.2440 INTERPRETATION AND PENALTIES.

28 Subpart 1. **Rules not exclusive.** Parts 2700.2400 to
29 2700.2440 are not exclusive, and the commissioner may also
30 consider other provisions of Minnesota law to be applicable to
31 the circumstances or situations addressed by parts 2700.2400 to
32 2700.2440. The rights provided by parts 2700.2400 to 2700.2440
33 are in addition to and do not prejudice any other rights the
34 policyholder may have at common law, under statute, or other

1 administrative rules.

2 Subp. 2. **Penalties.** A violation of any provisions of
3 parts 2700.2400 to 2700.2440 shall be deemed to be an unfair
4 trade practice in the business of insurance and shall subject
5 the violator to the penalties provided by Minnesota Statutes,
6 sections 72A.17 to 72A.32 in addition to any other penalty
7 provided by law.

8 Subp. 3. **Notices required.** All notices required by parts
9 2700.2400 to 2700.2440 shall only be made by first class mail
10 addressed to the policyholder's last known address or by
11 delivery to the policyholder's last known address. Notice by
12 first class mail is effective upon deposit in the United States
13 mail. In addition to giving notice to the policyholder, the
14 insurer must also give notice to the agent of record, if any, in
15 the manner specified for the policyholder.

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17 **REPEALER.** Minnesota Rules, parts 2700.2400 to 2700.2440 are
18 repealed September 30, 1987.