

MINNESOTA RULES 1986

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INSURANCE POLICIES, PRACTICES 2700.2410

CHAPTER 2700

DEPARTMENT OF COMMERCE INSURANCE POLICIES, PRACTICES

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CANCELLATION, NONRENEWAL, AND CHANGE OF RATES

2700.2400 SCOPE.

Parts 2700 2400 to 2700.2450 apply to all commercial liability insurance policies issued by companies licensed to do business in this state except workers' compensation insurance, employers' liability, ocean marine insurance, accident and health insurance, excess insurance, surplus line insurance, and reinsurance.

Statutory Authority: *MS s 45.023; 72A 19*

History: *10 SR 2260*

NOTE Part 2700 2400 is repealed effective September 30, 1987. See the notice of adoption published at 10 State Register, page 2260, on May 5, 1986.

2700.2410 MIDTERM CANCELLATION.

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

- A. nonpayment of premium;
- B. misrepresentation or fraud made by or with the knowledge of the insured in obtaining the policy or in pursuing a claim under the policy;
- C. actions by the insured that have substantially increased or substantially changed the risk insured;
- D. refusal of the insured to eliminate known conditions that increase the potential for loss after notification by the insurer that the condition must be removed,
- E. substantial change in the risk assumed, except to the extent that the insurer should reasonably have foreseen the change or contemplated the risk in writing the contract;
- F. loss of reinsurance by the insurer which provided coverage to the insurer for a significant amount of the underlying risk insured. Any notice of cancellation pursuant to this item shall advise the policyholder that he or she has ten days from the date of receipt of the notice to appeal the cancellation to the commissioner of commerce and that the commissioner will render a decision as to whether the cancellation is justified because of the loss of reinsurance within five business days after receipt of the appeal;
- G. a determination by the commissioner that the continuation of the policy could place the insurer in violation of the insurance laws of this state, or
- H. nonpayment of dues to an association or organization, other than an insurance association or organization, where payment of dues is a prerequisite to obtaining or continuing such insurance; provided, however, that this provision

for cancellation for failure to pay dues shall not be applicable to persons who are retired at 62 years of age or older or who are disabled according to social security standards.

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

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

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

Subp. 4. Longer term policies. A policy may be issued for a term longer than one year or for an indefinite term with a clause providing for cancellation by the insurer for the reasons stated in subpart 1 by giving notice as required by subpart 2 at least 30 days prior to any anniversary date.

Statutory Authority: *MS s 45 023; 72A.19*

History: *10 SR 2260*

NOTE Part 2700 2410 is repealed effective September 30, 1987 See the notice of adoption published at 10 State Register, page 2260, on May 5, 1986

2700.2420 NONRENEWAL.

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

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

Statutory Authority: *MS s 45 023; 72A 19*

History: *10 SR 2260*

NOTE Part 2700 2420 is repealed effective September 30, 1987 See the notice of adoption published at 10 State Register, page 2260, on May 5, 1986

2700.2430 RENEWAL WITH ALTERED RATES.

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

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

Statutory Authority: *MS s 45.023, 72A.19*

History: *10 SR 2260*

NOTE Part 2700 2430 is repealed effective September 30, 1987 See the notice of adoption published at 10 State Register, page 2260, on May 5, 1986

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INSURANCE POLICIES, PRACTICES 2700.3200

2700.2440 INTERPRETATION AND PENALTIES.

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

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

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

Statutory Authority: *MS s 45 023, 72A.19*

History: *10 SR 2260*

NOTE Part 2700.2440 is repealed effective September 30, 1987. See the notice of adoption published at 10 State Register, page 2260, on May 5, 1986.

2700.2450 REPEALER.

Minnesota Rules, parts 2700.2400 to 2700.2440 are repealed September 30, 1987.

Statutory Authority: *MS s 45.023; 72A 19*

History: *10 SR 2260*

2700.3200 UNFAIR AND DECEPTIVE PRACTICES.

[For text of subs 1 to 10, see M R 1985]

Subp. 11. Discrimination because of blindness or partial blindness. It is unfair and deceptive to discriminate between individuals of the same class by refusing to insure, or refusing to continue to insure, or limiting the amount, extent, or kind of coverage available to an individual, or charging an individual a different rate for the same coverage, solely because of blindness or partial blindness.

With respect to all other conditions, including the underlying cause of the blindness or partial blindness, persons who are blind or partially blind are subject to the same standards of sound actuarial principles or actual or reasonably anticipated experience as are sighted persons.

Refusal to insure includes denial by an insurer of disability insurance coverage on the grounds that the policy defines "disability" as being presumed in the event that the insured loses his or her eyesight.

However, an insurer may exclude from coverage disabilities, consisting solely of blindness or partial blindness when the condition existed at the time the policy was issued.

Statutory Authority: *MS s 45 023; 72A 19*

History: *10 SR 1499*