

CHAPTER 2880
DEPARTMENT OF COMMERCE
NONRENEWAL OF HOMEOWNERS INSURANCE

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2880.0050 APPLICABILITY.

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

Statutory Authority: *MS s 65A.29*

History: *10 SR 66*

2880.0100 DEFINITIONS.

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

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

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

Subp. 4. **Multiline contract.** "Multiline contract" means a single insurance contract which provides coverage for homeowners insurance and for at least one other line of insurance authorized under Minnesota Statutes, section 60A.06, subdivision 1, clause (9).

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

- A. terminate the policy;
- B. reduce the policy's coverage, unless all the existing policies and those policies to be accepted as new business by the insurer in this state will have the same coverages;
- C. increase the policy's deductible, unless all existing policies and those policies to be accepted as new business in this state, by the insurer, will provide for the same higher deductible; or
- D. transfer a named insured from one rating plan to another within the same company, or from one company to another within a group of insurance companies, if the transfer results in a higher premium. A surcharge applied to a premium for a condition which increases the potential for loss, or the deletion of a claims free discount do not constitute a transfer of rating plans.

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

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

Subp. 7. **Policy of homeowners insurance.** "Policy of homeowners insurance" means a policy providing property and liability coverage on dwellings and includes policies which

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are generally described as homeowners policies, mobile homeowners policies, dwelling owners policies, condominium owners policies, and tenants policies.

Statutory Authority: *MS s 65A.29*

History: *10 SR 66*

2880.0200 GROUNDS FOR NONRENEWAL.

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

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

B. Use of the premises for an illegal activity.

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

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

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

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

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

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

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

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

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

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

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

K. The named insured no longer owns the property or resides at the insured location, unless the spouse resides at the insured location and retains ownership, in which event the spouse will be endorsed onto the policy as the named insured.

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

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

Statutory Authority: *MS s 65A.29*

History: *10 SR 66*

2880.0300 WAIVER OF PENALTIES.

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

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

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

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

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

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

Statutory Authority: *MS s 65A.29*

History: *10 SR 66*

2880.0400 NONRENEWAL NOTICES.

A nonrenewal notice must be on a form approved by the Department of Commerce and the following information must be furnished to the insured on the front of the notice:

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

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

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

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

Statutory Authority: *MS s 65A.29*

History: *10 SR 66*

2880.0500 VALIDITY OF NOTICE AND NONRENEWAL.

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

Statutory Authority: *MS s 65A.29*

History: *10 SR 66*

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2880.0600 RECORD KEEPING.

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

Statutory Authority: *MS s 65A.29*

History: *10 SR 66*

2880.0700 NONRENEWAL OF MULTILINE CONTRACTS.

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

Statutory Authority: *MS s 65A.29*

History: *10 SR 66*

2880.0800 PENALTIES.

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

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

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

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

Statutory Authority: *MS s 65A.29*

History: *10 SR 66*