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BULLETIN NO. 2016-04

TO: All insurers authorized to write property and casualty insurance in Alabama

FROM: Jim L. Ridling
Commissioner of Insurance 

DATE: June 8, 2016

RE: Cancellation or nonrenewal of policies; premium increase notification

EFFECTIVE: Immediate

REPLACES: Bulletin dated August 30, 1985 ["Unfair Trade Practices"]

Upon issuance, the August 30, 1985, Bulletin titled "Unfair Trade Practices" is withdrawn and replaced by the following. These provisions apply to both personal and commercial lines. They are in addition to, but do not supersede, Regulation 136 [482-1-136].

In keeping with the intent of the June, 1985, NAIC resolution establishing criteria to be used by insurers regarding cancellation and non-renewals, the following guidelines must be implemented by companies with regard to cancellation and rating of property and casualty insurance policies:

1. Mid-term cancellations are appropriate only on an individual risk basis.
2. When a risk or policy produces an unacceptably high loss ratio, insurers should attempt to reach a satisfactory solution rather than a summary dismissal of the risk. For example, they should consider alternatives that reduce their exposure such as increasing deductibles in lieu of cancellation.
3. In the absence of conditions justifying mid-term action as indicated above, companies should allow policies to continue to previously established expiration dates.
4. Unjustified mid-term action by companies will be reviewed by the Department as an unfair trade practice.

In order to provide insureds with an adequate opportunity to shop for alternative coverage in the event of a company initiated premium increase or non-renewal of coverage, the Department has deemed that a minimum of 30 days' advance notice to the insured of such actions will be adequate. Failure by companies to provide such notice will be considered by the Department to be an unfair trade practice.

JLR/JFM/bc