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TO : ALL INSURERS WRITING PROPERTY AND CASUALTY INSURANCE IN ALABAMA
FROM : THARPE FORRESTER, ~~ACTING~~ ACTING COMMISSIONER
SUBJECT: UNFAIR TRADE PRACTICES

This Department is receiving an increasing number of complaints from agents and members of the public about indiscriminate cancellation, non-renewal and underwriting and servicing problems.

The National Association of Insurance Commissioners at its meeting in Kansas City, Missouri, June, 1985, adopted a resolution establishing criteria to be used by insurers as regards cancellations and non-renewals. In keeping with the intent of that resolution, the following guidelines should be implemented by companies concerning 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 consult the agent to work out a satisfactory solution.
3. In the absence of conditions justifying mid-term action as indicated above, companies are urged to allow policies to continue to normal expiration or anniversary date.
4. Unjustified mid-term action by companies will be reviewed by the Department as an unfair trade practice.

It has also come to our attention that some insurers or agents have failed to provide timely notice of premium increases or non-renewal of property and liability coverages and that, as a result, policyholders have not been afforded an adequate opportunity to shop for alternative coverage. The Department considers any failure to provide such information in a timely manner to be an unfair trade practice.

As to all commercial coverages, insurers and agents should advise insureds of property/liability premium increases or policy non-renewal at the time such information becomes available. It is suggested that 30 days' notice prior to the anniversary or expiration date of coverage is a desirable target date.

Insurers should implement necessary administrative procedures to assure that required rating information is received and analyzed in sufficient time to provide appropriate notice to insureds.

TF:dkh