

**REPORT OF THE
STATE CORPORATION COMMISSION'S
BUREAU OF INSURANCE ON**

**Cancellations and
Non-Renewals of
Automobile Insurance
Policies**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



Senate Document No. 14

**COMMONWEALTH OF VIRGINIA
RICHMOND
1988**

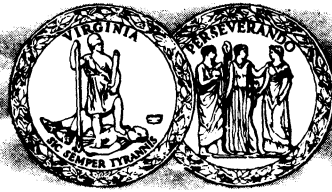
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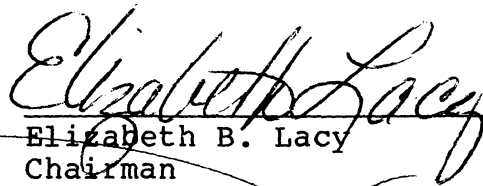
December 14, 1987

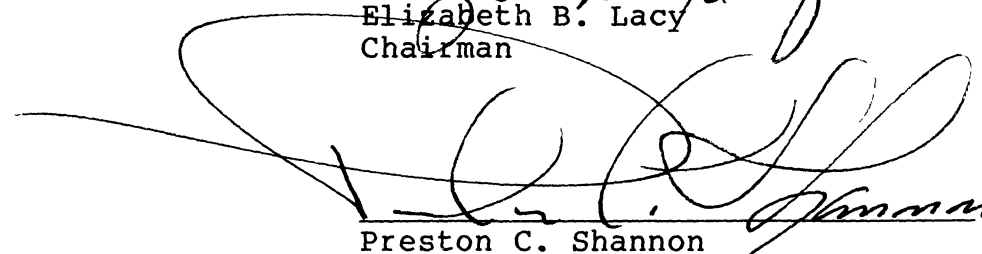
TO: The Honorable Gerald L. Baliles
Governor of Virginia
and
The General Assembly of Virginia

The report contained herein is pursuant to Senate Joint Resolution No. 142 of the 1987 Session of the General Assembly of Virginia.

This report represents the response of the State Corporation Commission's Bureau of Insurance to the legislative directive to study the cancellation and non-renewal of automobile insurance policies by insurance companies to determine whether additional state regulation was needed in this area.

Respectfully submitted,


Elizabeth B. Lacy
Chairman


Preston C. Shannon
Commissioner

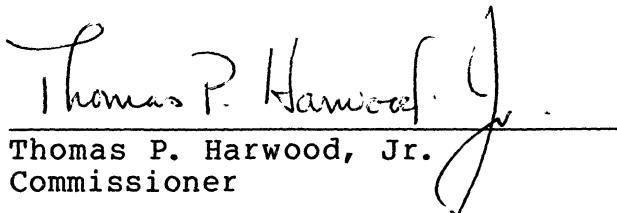

Thomas P. Harwood, Jr.
Commissioner

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EXECUTIVE SUMMARY

During the 1987 Session, the General Assembly adopted Senate Joint Resolution No. 142 which requested the State Corporation Commission's Bureau of Insurance to study the cancellation and non-renewal of automobile insurance policies by insurance companies to determine whether additional state regulation was needed in this area.

Legislative Request

The resolution stated in part that (1) Virginia citizens deserve to be protected from unjustified policy cancellations and non-renewals; (2) motorists may resort to driving uninsured because of their inability to secure insurance coverage at affordable rates after being cancelled or non-renewed; (3) some motorists are forced to seek coverage with Virginia's assigned risk plan after being cancelled or non-renewed; (4) many policyholders feel that they are not being given adequate notification of their cancellation or non-renewal; and (5) automobile insurance policy cancellations and non-renewals are sources of anger and frustration for consumers who do not consider themselves as high risks.

Notice Requirements

The Bureau of Insurance began its study by surveying the insurance laws of the fifty states and the District of Columbia to determine how the requirements set forth in Virginia insurance laws compared to the requirements of other states in terms of the minimum number of days notice required to be given for the cancellation and non-renewal of private passenger automobiles. For the purpose of this report the District of Columbia is categorized as a state. Of the states surveyed, 34 require less than 45 days notice to be given for both cancellations and non-renewals. Nine states including Virginia require at least 45 days notice to be given for non-renewals. Seven states require a minimum notification of 60 days before a non-renewal can become effective and one state does not provide this type of requirement in their insurance laws.

Grounds for Cancellations and Non-Renewals

The Bureau also surveyed the insurance laws of the fifty states and the District of Columbia to compare the legal grounds permitted for cancellations and non-renewals of private passenger automobile insurance policies. Thirty-one states including Virginia do not impose any restrictions on non-renewals except those pertaining to unfair discrimination (i.e. age, sex, marital status, etc.). However, twenty states do impose other types of limitations on non-renewals such as prohibiting insurers from non-renewing policies based on not-at-fault losses; allowing policies to be non-renewed only after a specified number of at-fault or not-at-fault losses or traffic violations have occurred; and specifying the length of time an insurer may underwrite against an accident or traffic violation.

The legal grounds permitted for mid-term cancellations also vary from state to state. Of the 50 states surveyed and the District of Columbia, a total of 16 states prohibit mid-term cancellations for reasons other than (1) non-payment of premium, and (2) suspension or revocation of an insured's driver's license. Virginia is among these 16 states. Thirty-five states, however, allow insurers to cancel their policies mid-term for reasons other than non-payment of premium and suspension or revocation of an insured's driver's license. Some of these reasons include material misrepresentation, fraudulent claims, conviction of a crime, and violation of the terms of the contract.

Complaint Activity

A review was made of the number of complaints received by the Consumer Services Division of the Bureau of Insurance. According to the Property and Casualty Consumer Services Activity Reports for the three most recent fiscal years, an 85% increase in "automobile termination reviews" was noted between fiscal year 1984-85 and fiscal year 1986-87. (Automobile termination reviews are complaints reviewed by the Bureau of Insurance for consumers who feel their automobile insurance has been unjustly terminated.) During fiscal year 1986-87, 6% of the terminations reviewed were found to be in violation of the Virginia Insurance Code. Comparable figures were noted for the two previous fiscal years. In the remaining 94% of the cases reviewed, the Bureau had no authority to require the policies to be reinstated as there had been no violation of Virginia insurance law.

A review of the types of complaints received by the Bureau of Insurance was also conducted. Out of 525 randomly selected complaint files, 40 non-renewals by eleven companies were identified. While these 40 non-renewals were in compliance with existing statutes, the Bureau had concern that the reasons stated in the notices were either a subterfuge for reasons prohibited by statute or were relatively unimportant in the overall underwriting process. Some of these non-renewals were based on reasons such as one not-at-fault loss after 16 years insured; one at-fault loss after 23 years insured; one comprehensive and 2 towing claims after 17 years insured; no supporting fire business; addition of a youthful operator on the policy; and one undeclared speeding ticket 5 years old after having been insured for 2 years. Out of these 40 non-renewals, 18 policies were voluntarily reinstated by the company after the complaint had been filed. The remaining 485 complaint files represented policy terminations which the Bureau considered justified.

Activity in the Voluntary and Residual Markets

As part of this study the Bureau of Insurance also requested statistical data from the top 50 private passenger automobile insurance writers in the Commonwealth. A compilation of this information is contained in the report. According to the figures submitted, the number of non-renewals from 1984 to 1986 increased on an average of 67%. The number of policies written as new business increased on an average of 71% from 1984 to 1986. The number of policies renewed during this time period increased on an average of 10%, and the number of policies cancelled for underwriting reasons

increased by 251%. These figures were representative of the companies which reported data for all three years.

The report also contains a statistical summary of the number of applications submitted to the Virginia Automobile Insurance Plan over the past nine years. Between 1984 and 1986 the number of assignments in the plan increased by 137%. However, the number of monthly assignments during the latest 12-month period beginning November, 1986 and ending October, 1987 only increased by 9% as compared to the same period for the preceding year.

Public Meetings

Two public meetings were held in Richmond and Roanoke to give the citizens of Virginia an opportunity to testify regarding the cancellation or non-renewal of their automobile insurance policies. These meetings were held to determine the types of problems consumers were having with what they considered to be unjustified terminations so as to determine whether additional state regulation was needed. Several suggestions were offered at these meetings such as (1) allowing policies to contain a named driver exclusion; (2) giving the Commission the authority to substitute its judgment as to underwriting for that of the insurer; (3) using arbitration to settle matters dealing with unfair cancellations and non-renewals; (4) prohibiting a company's application from including a question as to whether the insured has ever been cancelled or non-renewed; and (5) changing the definition of "renewal" in the Code so that a company can modify coverage on the policy at the time of renewal in lieu of non-renewing the entire policy. Recorded testimony for each of these meetings is available from the Bureau of Insurance. Also available from the Bureau of Insurance is a 1982 report on the named driver exclusion. This study was conducted pursuant to House Joint Resolution No. 322 of the 1981 Session of the General Assembly. An update of this study was done in 1985. The results of the study are summarized in this report.

Recommendations

Based on the findings contained in this report, the State Corporation Commission concluded that several changes in the insurance code are needed. The recommendations of the State Corporation Commission are as follows:

- (1) Add a provision in the insurance code which prohibits an insurance company from refusing to renew a private passenger motor vehicle insurance policy solely on the basis of the lack of supporting business (i.e. homeowners insurance or personal umbrella insurance) or on the basis of the lack of the potential for acquiring such supporting business;
- (2) Amend subsection C of §38.2-2212 to include the language "solely because of any one or more of the following factors" to be consistent with the language found in §38.2-2213 pertaining to unfair discrimination;

- (3) Prohibit an insurer from refusing to renew a private passenger motor vehicle insurance policy solely on the basis of the inexperience or the number of years driving experience of anyone who is insured. This would not prevent a company from underwriting new business on the basis of the inexperience or number of years driving experience of the person insured;
- (4) Prohibit an insurer from refusing to renew the liability coverage of a private passenger motor vehicle insurance policy on the basis of one or more claims submitted under the comprehensive or towing coverages of the policy. This would not prevent an insurer from non-renewing the comprehensive or towing coverages under the policy or from changing the deductible on the basis of comprehensive or towing claims submitted;
- (5) Prohibit an application for private passenger automobile insurance from including a question as to whether the insured has ever been cancelled or non-renewed unless the application also requires a full explanation of the reason for the cancellation or non-renewal;
- (6) Prohibit an insurer from non-renewing a private passenger motor vehicle insurance policy solely on the basis of an accident or violation which occurred more than forty-eight months immediately preceding the upcoming anniversary date;
- (7) Prohibit an insurer from non-renewing a private passenger motor vehicle insurance policy solely because of claims submitted under the uninsured motorists coverage of the policy;
- (8) Prohibit an insurer from non-renewing a private passenger motor vehicle insurance policy solely on the basis of a single claim submitted under the medical payments or medical expense coverage of the policy due to an accident for which the insured was neither wholly nor partially at fault;
- (9) Require insurers to specify in the notice of cancellation or non-renewal that the insured's right to a review by the Commissioner entitles the insured to a review of the technical and legal accuracy of the cancellation or non-renewal, but does not give the Commissioner the authority to substitute his judgment as to underwriting for that of the insurer.

The report contains language which has been drafted to incorporate these changes into Title 38.2 of the Code of Virginia.

SENATE JOINT RESOLUTION NO. 142

Requesting the Bureau of Insurance to study the cancellation and nonrenewal of automobile insurance policies by insurance companies.

Agreed to by the Senate, February 27, 1987

Agreed to by the House of Delegates, February 25, 1987

WHEREAS, the recent insurance crisis atmosphere was created partly because of abrupt cancellations and nonrenewals of insurance coverage by insurers; and

WHEREAS, insurers claim that nonrenewals and cancellations have resulted from their tighter underwriting standards because of the greater frequency of claims which jumped in 1984, rising automobile repair and hospital costs and the attempts by many to make up for their having taken on risks at lower-than-prudent rates several years ago; and

WHEREAS, for consumers who do not consider themselves as high risks and who have paid thousands of dollars in insurance premiums, nonrenewal and cancellation notices are sources of much anger and frustration; and

WHEREAS, in one case an insurer did not renew a policy after forty-five years because of its having to pay a \$500 claim after the insured, a sixty-seven-year-old woman, backed into someone in a parking lot; and

WHEREAS, people are further frustrated by their not receiving notification of their nonrenewal or cancellation far enough in advance to secure other coverage prior to such nonrenewal or cancellation; and

WHEREAS, some people who are cancelled or not renewed by their insurers are also unable to obtain coverage at comparable rates and levels from other insurers and must seek coverage with Virginia's assigned risk plan, which experienced a seventy-eight percent increase in applications in 1986 over 1985 levels; and

WHEREAS, other motorists may wind up driving uninsured because of their inability to secure insurance coverage at affordable rates after being cancelled or not renewed, thus exposing themselves to potentially serious financial consequences should they cause an accident; and

WHEREAS, Virginia citizens deserve to be protected from unjustified cancellations or nonrenewals; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Bureau of Insurance is requested to study the cancellation and nonrenewal of automobile insurance policies by insurance companies. The Bureau shall determine, among other things, whether additional state regulation is needed in this area.

The Bureau should complete its work and submit its findings and recommendations to the General Assembly prior to the 1988 Session.

INTRODUCTION

The State Corporation Commission's Bureau of Insurance was requested by the 1987 Session of the General Assembly to study automobile insurance policy cancellations and non-renewals to determine if additional state regulation was needed in this area.

This study was requested because of complaints received from consumers who were experiencing what they considered to be unfair or unjustified automobile insurance policy cancellations and non-renewals. As indicated in the study resolution more and more consumers have had to seek coverage through the Virginia assigned risk plan after being cancelled or non-renewed by their insurance carriers. These consumers are often unable to obtain coverage from other carriers in the voluntary market because of their previous terminations and are often frustrated because they do not believe they have been given sufficient notice of their termination. There is also a serious concern that many motorists may drive uninsured because of their inability to secure coverage at affordable rates. Driving uninsured exposes these drivers as well as other drivers to potentially serious financial consequences should the uninsured motorist cause an accident.

In order to determine if additional state regulation was needed for automobile insurance policy cancellations and non-renewals, the Bureau of Insurance began by conducting several surveys. The first survey was conducted among the fifty states to determine how Virginia's insurance laws compared to those of other states in terms of (1) the number of days notice required to be given for private passenger automobile policy cancellations and non-renewals, and (2) the legal grounds permitted for private passenger automobile policy cancellations and non-renewals. The results of this survey are noted in the report.

A second survey was conducted within the Bureau of Insurance to determine whether there had been an increase in the number of complaints received by the Consumer Services Division of the Bureau of Insurance and whether the Bureau of Insurance had the statutory authority to resolve these complaints once they had been filed. In addition to reviewing the number of complaints received, the Bureau also conducted a review of the types of complaints received. Particular attention was paid to the reasons for the complaints as well as the final disposition of each complaint. The results of the Bureau's findings are contained in the report.

The Bureau also requested statistical data from each of the top fifty automobile insurance writers in the state to determine (1) the number of private passenger automobile policies written as new business from 1984 to 1986, (2) the number of policies renewed from 1984 to 1986, (3) the number of policies cancelled for underwriting reasons during this period, and (4) the number of policies non-renewed during the same time period. This data has been summarized in the report. In addition to analyzing the activity in the voluntary market, a review was made of the number of assignments in the Virginia assigned risk plan. The report contains a statistical summary of the number of assignments submitted to the Virginia Automobile Insurance Plan over the past nine years.

Two public meetings were also held by the Bureau of Insurance. The purpose of these meetings was to give the citizens of Virginia an opportunity to testify regarding specific problems they were experiencing with automobile policy cancellations and non-renewals. One meeting was held in Roanoke on June 30, 1987 and the other meeting was held in Richmond on July 14, 1987. Recorded testimony for both of these meetings is available from the Bureau of Insurance and is summarized in this report.

STATE REGULATORY REQUIREMENTS

Notice requirements

The Bureau of Insurance examined the regulatory requirements of the fifty states and the District of Columbia to determine how Virginia insurance law compared to the insurance laws of the other states. A comparison was first made of the number of days notice required by law to be given for the cancellation or non-renewal of a private passenger automobile policy. In the Virginia Insurance Code, § 38.2-2212 requires insurers to give at least 45 days written notice of cancellation or refusal to renew to the named insured at the address shown in the policy. An exception is made for cancellations due to non-payment of premium for which insurers are required to give at least 15 days written notice to the named insured at the address shown in the policy. Section 38.2-2212 does not apply to any policy which has been in effect for less than 60 days when the termination notice is mailed or delivered.

A survey of the fifty states, conducted in June and July of 1987, showed that all but one of the states require a minimum number of days notice to be given to the named insured for the cancellation or non-renewal of a private passenger automobile policy. The cancellation provisions generally apply once the policy has been in effect for a specified period of time. This period of time is usually set at 60 days from the policy's effective date. However, two states make their cancellation notice requirements applicable to policies which have been in effect for a shorter period of time and three states allow policies to be in effect for as much as 70 or 90 days before their cancellation notice provisions apply. Four states do not specify a particular number of days the policy must be in force before the cancellation provisions apply.

Nine states, including Virginia, require an insurer to give at least 45 days written notice in order to non-renew a private passenger automobile policy. Seven states require a minimum notification of at least 60 days before a non-renewal can become effective. These states are shown below:

States Requiring 45 Days Notice to Non-Renew

Florida*
Maryland*
Massachusetts*
New York
North Carolina
Texas*
Virginia*
Washington
West Virginia

State Requiring 60 Days Notice to Non-Renew

Connecticut
Minnesota
New Hampshire*
New Jersey
South Carolina*
South Dakota
Wisconsin

*Seven out of these 16 states require insurers to give the same number of days notice for cancellations as is required for non-renewals. However, five out of the seven states do not require the same number of days notice to be given to insureds whose policies are cancelled for non-payment of premium.

Thirty-four states require less than 45 days notice to be given for the cancellation or non-renewal of a private passenger automobile policy. These states are as follows:

<u>States</u>	<u>Days Required to Cancel</u>	<u>Days Required to Non-Renew</u>
Alabama	20	30
Alaska	20	20
Arizona	10	10
Arkansas	20	20
California	20	20
Colorado	20	20
Delaware	30	30
District of Columbia	30	30
Georgia	30	30
Hawaii	30	30
Idaho	20	30
Illinois	30	30
Indiana	20	20
Iowa	20	30
Kansas	30	30
Kentucky	20	20
Louisiana	20	20
Maine	20	30
Michigan	20	20
Mississippi	20	30
Missouri	30	30
Montana	30	30
Nebraska	30	20
Nevada	30	30
New Mexico	30	30
North Dakota	20	30
Ohio	30	30
Oregon	20	20
Pennsylvania	30	30
Rhode Island	30	30
Tennessee	20	20
Utah	30	30
Vermont	30	30
Wyoming	20	30

Grounds for Cancellations and Non-Renewals

A survey of the insurance laws of each of the fifty states and the District of Columbia was conducted to compare the legal grounds permitted by each state for the cancellation or non-renewal of a private passenger automobile policy. This information has been summarized in Appendix A.

Sixteen states including Virginia prohibit an insurer from cancelling a policy after the policy has been in effect for a certain number of days, unless the cancellation is either for non-payment of premium or suspension or revocation of the insured's driver's license. In the Virginia code this provision is set forth under §38.2-2212. Thirty-five states, on the other hand, allow insurers to cancel policies mid-term for other reasons such as material misrepresentation, fraudulent claims, conviction of a crime, or violation of the terms of the contract. Some states also allow insurers to cancel their policies mid-term for certain traffic violations or accident involvements.

Thirty-one states including Virginia allow insurers to non-renew a private passenger automobile insurance policy for any reason, unless the insurer uses a reason which is determined by statute to be unfairly discriminatory (i.e. age, sex, marital status, etc.). Twenty states, on the other hand, impose specific limitations on non-renewals such as prohibiting non-renewals based on not-at-fault losses; allowing policies to be non-renewed only after a specified number of at-fault losses or not-at-fault losses or traffic violations have occurred; and specifying the length of time an insurer may underwrite against an accident or traffic violation. Some of these restrictions have been summarized below:

<u>Type of Restriction</u>	<u>States that Apply Restriction</u>
1. Insurers may not non-renew based on loss experience.	Arizona
2. Insurers may non-renew only after a specified number of at-fault or not-at-fault losses.	Maine, New Jersey, Rhode Island, West Virginia
3. Insurers may only non-renew 2% of the business written per territory.	New York
4. Insurers may not non-renew based on not-at-fault losses.	Oklahoma, Pennsylvania, Maine
5. Insurers may not non-renew liability coverage due to comprehensive or towing claims.	Washington
6. Insurers may not non-renew based on accidents or violations over 3 years-old.	Oregon, Pennsylvania, Washington New Jersey, Maryland
7. Insurers may not non-renew because of an agency termination.	Colorado, Minnesota, Wisconsin
8. Insurers may not non-renew for any reason that is arbitrary or capricious.	Maryland, Florida, Minnesota

9. Insurers may only non-renew for specific reasons stated in the statute.

Arizona, Delaware, Hawaii, Idaho, Maine, Minnesota, New Jersey, West Virginia

This information is further summarized in Appendix A.

ANALYSIS OF CONSUMER COMPLAINTS

Number of Complaints Handled

A review was made of the number of complaints received by the Consumer Services Division of the Bureau of Insurance. This portion of the study was conducted to determine whether there had been an increase in the number of complaints regarding automobile policy terminations filed over the past three years and whether the Bureau had the statutory authority to resolve the complaints that had been filed. The Property and Casualty Consumer Services Activity Reports compiled for the three most recent fiscal years served as the information source for this review.

During fiscal year 1984-85, 1079 complaint files, referred to as "automobile termination reviews," were handled by the Bureau staff. Automobile termination reviews are complaints reviewed by the Bureau of Insurance for consumers who feel their automobile insurance has been unjustly terminated. A total of 68 of these cases failed to comply with existing statutes. This represented 6% of the cases reviewed that year. During fiscal year 1985-86, 1772 automobile termination reviews were conducted with 95 instances being noted of non-compliance with existing statutes. This represented 5% of the automobile termination reviews handled that year. During fiscal year 1986-87, a total of 2000 automobile termination reviews were conducted and 125 of these resulted in favorable action for the insured due to statutory non-compliance. This represented 6% of the total number of reviews handled that year.

Between fiscal year 1984-85 and fiscal year 1986-87 the number of automobile termination reviews conducted by the Bureau of Insurance increased by 85%. In at least 94% of the cases reviewed each year, the Bureau of Insurance had no authority to require the policies to be reinstated as there had been no violation of Virginia insurance law.

Characteristics of Complaints

A review of the types of complaints received by the Bureau of Insurance was also conducted to determine some of the reasons being used to cancel or non-renew automobile insurance policies and to determine the final disposition of the complaints received. Out of a total of 525 randomly selected complaint files, 40 non-renewals by eleven companies were identified. While the 40 non-renewals were in compliance with existing statutes, the Bureau had concern that the reasons stated in the notices were either a subterfuge for reasons prohibited by statute or were relatively unimportant in the overall underwriting process. Of the 40 non-renewals, 18 were voluntarily reinstated by the company after the Bureau of Insurance had reviewed the file. The following list provides some examples of the reasons that were used to non-renew these policies:

<u>Reason Given for Non-renewal</u>	<u>Number of Years Insured</u>
1. One not-at-fault loss	16
2. One at-fault loss	23

3.	One comprehensive loss and two towing claims	17
4.	No supporting fire business	2
5.	Addition of youthful operator	2
6.	One undeclared speeding ticket 5 years old	2
7.	Two towing claims	2
8.	Purchase of a sports car	4
9.	One comprehensive claim	2
10.	Two speeding tickets	9

A summary of the complaint data for each of the 40 files is contained in Appendix B.

ANALYSIS OF MARKET TRENDS

Activity in the Voluntary Market

In order to determine whether there had been a significant increase in the number of policies that had been cancelled or non-renewed over the past few years, an analysis of market trends was conducted. The top 50 automobile insurance carriers in the state were asked to submit a statistical summary of the private passenger automobile business they had written, renewed, and terminated over the past three years. The following information was requested from each insurer: (1) the number of private passenger automobile policies that were written as new business during the years 1984, 1985, and 1986; (2) the number of private passenger automobile policies that were renewed during the years 1984, 1985, and 1986; (3) the number of private passenger automobile policies that were cancelled for underwriting reasons during the years 1984, 1985, and 1986 (excluding policies that were cancelled for non-payment of premium or were cancelled at the insured's request); (4) the number of private passenger automobile policies that were non-renewed during the years 1984, 1985, and 1986 (excluding policies that lapsed at the expiration of the policy term); and (5) a copy of the company's underwriting guidelines. According to the data provided by responding companies (1) the number of policies written as new business increased on an average of 71% from 1984 to 1986; (2) the number of policies renewed increased on an average of 10% during this time period; (3) the number of policies cancelled for underwriting reasons (including those cancelled within the first 60 days of coverage) increased by 251%; and (4) the number of policies non-renewed increased by 67%. A compilation of the statistical data submitted by each company is found in Appendix C of this report.

Activity in the Residual Market

A review was also made of the business placed in the Virginia Automobile Insurance Plan. The Automobile Insurance Plan, which is also known as the assigned risk plan, is available to any driver who is unable to obtain insurance in the voluntary market. Generally, the rates in the plan are higher than in the voluntary market. The plan assigns applications to each insurer licensed to write automobile liability coverage in the state. The number of applications assigned to each insurer is based on the proportionate share of business written by that insurer. Once the business is assigned, the insurer issues a policy in its own name, services the account, and pays claims as though the business had been accepted voluntarily.

Between 1984 and 1986 the number of assignments made by the Virginia Automobile Insurance Plan increased by 137%. This compares to the 71% increase in new business and 10% increase in renewal business during the same time period in the voluntary market. The number of monthly assignments during the latest 12-month period beginning November, 1986 and ending October, 1987 increased by 9% as compared to the same period for the preceding year. A chart which shows the number of monthly assignments by the assigned risk plan over the past nine years has been included as the back of this report in Appendix D.

SUMMARY OF PUBLIC MEETINGS

The Bureau of Insurance held two public meetings to give the citizens of Virginia an opportunity to testify regarding the cancellation or non-renewal of their automobile insurance policies. These meetings were held to determine the types of problems consumers were having with what they considered to be unjustified terminations and to provide a forum for offering solutions to these problems. One meeting was held in Roanoke on June 30, 1987 and the other meeting was held in Richmond on July 14, 1987. Recorded testimony for both of these meetings is available from the Bureau of Insurance.

Several changes in the state's regulatory requirements were suggested at these meetings. These suggestions were offered by the general public or by insurance industry representatives. A summary of the advantages and disadvantages of each proposal is provided below.

Proposals Presented at Meetings

A. Allow Policies to Contain a Named Driver Exclusion.

Under Virginia law, no policy of motor vehicle liability insurance may be issued or delivered unless it contains a provision insuring the named insured and any other person responsible for the use of the insured vehicle with the consent of the named insured. This is known as the omnibus clause and this law prohibits the use of a named driver exclusion. No one driver in the household may be excluded from coverage. For example, companies may not exclude a teenage driver from coverage under a parent's policy even if the teenager has a poor driving record. The only options open to the company are to (1) either non-renew the entire policy or (2) increase the rates. Neither the company nor the parent has the option of excluding the teenage driver in order to avoid a rate increase or non-renewal.

Fifteen states including Virginia prohibit the use of named driver exclusions. Thirty-six states plus D.C. allow it. Listed below are some of the advantages and disadvantages of the named driver exclusion.

Disadvantages

1. The policyholder may not fully understand the implications of the named driver exclusion. The exclusion may prove to be a hardship for consumers because (i) it may be too difficult to keep excluded drivers from operating all vehicles owned by the family and (ii) an excluded driver may use the family car without benefit of insurance and be involved in a costly accident.
2. The parent or spouse may be held vicariously liable for personal injury or property damage caused by an excluded driver. The exclusion of a family member leaves other members of the family open to liability without protection.

3. The use of the named driver exclusion might result in an increased number of uninsured motorists in Virginia.
4. If an excluded driver operates a vehicle without insurance and causes injury to a third person, the injured party may not be able to collect damages. This may not be in the public interest.
5. The named driver exclusion may be challenged in court as being against public policy, especially if the injured party cannot collect damages.
6. The use of named driver exclusions might result in underwriting abuses. A company might, as a normal course of business, exclude all young drivers by using the named driver exclusion instead of using the exclusion only on the basis of an individual's driving record.

Advantages

1. The principal advantage of the named driver exclusion is that it would allow continued coverage under a policy that would have otherwise been cancelled or non-renewed because of the driving record of one operator in the household.
2. The use of a named driver exclusion would result in equity of premiums since the good drivers in the family would not be penalized with increased premiums needed to subsidize the high-risk driver.
3. The total number of drivers in the residual market might actually decrease since insurers would be able to continue coverage for the good drivers of the family under their voluntary program instead of forcing the entire family into the residual market.
4. The named driver exclusion would provide more flexibility and contractual freedom between insurer and insured.

B. Allow the Commissioner to Exercise Underwriting Judgment.

Section 38.2-2212 of the Code of Virginia states that the Commissioner of Insurance may be requested to review the action of an insurer in cancelling or refusing to renew a motor vehicle insurance policy. The law also states that "nothing in this section authorizes the Commissioner to substitute his judgment as to underwriting for that of the insurer." If the Commissioner were given the authority to exercise underwriting judgment, insurers would be prevented from cancelling or non-renewing policies for reasons which the Bureau considered unacceptable, immaterial, or unjustified under the circumstances. The Bureau would no longer be limited to the technical accuracy of the written notice and would be able to overturn a company's decision if in the Bureau's opinion the termination was unjustified.

The disadvantage of this proposal is that most companies would be opposed to allowing the Bureau to substitute its subjective judgment for that of the insurer and some insurers might even threaten to discontinue writing coverage in the state if the

Bureau were given such authority. In addition, special criteria would have to be established giving the Bureau specific underwriting guidelines to follow in order to determine the types of situations where it could overrule an insurer's decision.

Another consideration is that additional staff would be needed for the increased work load of the Consumer Services Division. The added responsibility would require additional manpower, additional training, and additional quality control.

C. Use Arbitration to Settle Disputes.

The advantage of this method of dealing with automobile cancellations and non-renewals is that insureds might feel they were given a fair hearing by an impartial judge. This arbiter would have the power to determine whether the cancellation or non-renewal was justified or unjustified under the circumstances and such decision would be binding on both parties.

The disadvantage is that most cases would be held up in arbitration proceedings for an indefinite length of time. It has the potential for long and costly delays of settlement. Another disadvantage from the company's perspective is that a company's underwriting decisions would be subject to being challenged and possibly overturned in arbitration proceedings.

D. Prohibit the Company's Application from Including a Question Regarding Previous Cancellations and Non-Renewals.

The advantage of this prohibition would be to prevent insurers from refusing to write a new risk before determining the actual reasons for the previous termination. This would also be in keeping with §38.2-612 of the Code of Virginia which prohibits an insurer from basing an adverse underwriting decision on the fact of a previous adverse underwriting decision without asking for specific reasons as to why the decision was made.

The disadvantage of this proposal is that companies would be limited in the way they determine the previous history of their applicants.

E. Change the Definition of "Renewal" in the Code to Enable the Insurer to Modify Physical Damage Coverage at Renewal Instead of Non-Renewing the Entire Policy.

Upon research of this issue, the Commission determined that this change is not necessary as insurers are currently allowed to modify the physical damage coverages of the policy at renewal. Section 38.2-2212, which defines a renewal as a policy containing the types and limits of coverage at least equal to the policy being superseded, only applies to bodily injury and property damage liability insurance. A company may non-renew collision or comprehensive coverage or increase the deductible without violating the law as long as these changes are made at the time of renewal.

RECOMMENDATIONS

Based on the findings contained in this report, the State Corporation Commission concluded that certain changes were needed in the regulation of automobile insurance policy cancellations and non-renewals. The following recommendations have been endorsed by the State Corporation Commission. A brief explanation of the advantages and disadvantages of each proposal is provided below. Appendix E contains code language which has been drafted to incorporate these recommendations into §§ 38.2-2210 and 38.2-2212 of Title 38.2 of the Code of Virginia.

Changes Proposed by the State Corporation Commission

1. **Add a provision in the insurance code which prohibits an insurance company from refusing to renew a private passenger motor vehicle insurance policy solely on the basis of the lack of supporting business (i.e. homeowners insurance or personal umbrella insurance) or on the basis of the lack of the potential for acquiring such supporting business.**

The State Corporation Commission believes that this recommendation is in the public interest. As shown in Appendix B, three of the policies noted in the study were non-renewed because of the lack of supporting fire business. The State Corporation Commission is of the opinion that automobile insurance policies should be underwritten based upon their own merits and should not be underwritten in light of other business which may or may not be acquired. This provision will prevent insurance companies from using coercion as a means of acquiring new business. Policyholders should not be forced into placing all business with one insurer but should be entitled to shop around for the best rates.

2. **Amend subsection C of § 38.2-2212 to include the language "solely because of any one or more of the following factors" to be consistent with the language found in § 38.2-2213 pertaining to unfair discrimination.**

Under § 38.2-2213 insurers are prohibited from refusing to issue a motor vehicle insurance policy solely because of any one or more of the following factors: the age, sex, residence, race, color, creed, national origin, ancestry, marital status, or lawful occupation including the military service of the person seeking coverage. Under § 38.2-2212 insurers are prohibited from refusing to renew a motor vehicle insurance policy solely because of the age, sex, residence, race, color, creed, national origin, ancestry, marital status, or lawful occupation including the military service of anyone who is insured. Section 38.2-2212 is missing the phrase "any one or more of the following factors."

The State Corporation Commission believes that these two sections of the insurance code should be consistent with each other. If any one factor is considered unfairly discriminatory, then any combination of those same factors should also be considered unfairly discriminatory.

3. Prohibit an insurer from refusing to renew a private passenger motor vehicle insurance policy solely on the basis of the inexperience or the number of years driving experience of anyone who is insured.

The State Corporation Commission believes that this recommendation is in the public interest. As shown in Appendix B, one policy noted in the study was non-renewed because of the addition of a youthful operator onto the policy. Several other complaints of this nature have since been filed with the Bureau of Insurance. The State Corporation Commission is concerned that the inexperience of youthful operators is being used as a reason to terminate risks in an attempt to circumvent existing statutes which currently prohibit terminations based on the age of the driver. This recommendation will prevent companies from non-renewing policyholders simply because a young driver is added to the policy. Some companies are non-renewing long-time policyholders as soon as a young driver becomes licensed to drive, even when the members of the household have good driving records. This provision will not prohibit insurers from considering the inexperience of young drivers when underwriting their new business policies, nor will it prohibit insurers from charging adequate rates in accordance with their exposure.

4. Prohibit an insurer from refusing to renew the liability coverage of a private passenger motor vehicle insurance policy solely on the basis of one or more claims submitted under the comprehensive or towing coverages of the policy.

The State Corporation Commission believes that this recommendation (based on a similar statute in another state) is in the public interest. As shown in Appendix B, ten policies noted in this study were non-renewed solely because of one or more comprehensive or towing claims. The State Corporation Commission is opposed to the practice of non-renewing liability coverage on the basis of comprehensive or towing claims, especially in view of the fact that these types of coverages may be modified by a deductible or deleted altogether. Even though this proposal will require insurers to renew policies for insureds who have only submitted comprehensive or towing claims, the insurer will still be allowed to modify the comprehensive or towing coverages by either increasing the deductible or deleting the coverage(s) altogether if the insured has submitted claims under these coverages. The insurer will be required to notify the insured of any changes in the policy prior to renewal.

5. **Prohibit an application for private passenger automobile insurance from including a question as to whether the insured has ever been cancelled or non-renewed unless the application also requires a full explanation of the reason for the cancellation or non-renewal.**

While not specifically identified in the sample of complaint files reviewed for this study, the Bureau has received complaints where it appeared that the insurer or agent simply refused coverage on the basis of a previous termination without determining the reasons for the termination. The State Corporation Commission believes that this proposal is necessary to ensure compliance with § 38.2-612 of the Code of Virginia which prohibits an insurer from basing an adverse underwriting decision on the fact of a previous adverse underwriting decision without asking for specific reasons as to why the decision was made. This proposal will prevent insurers from refusing to write a risk without determining the actual reasons for the previous termination.

6. **Prohibit an insurer from non-renewing a private passenger motor vehicle insurance policy solely on the basis of an accident or violation which occurred more than forty-eight months immediately preceding the upcoming anniversary date.**

The State Corporation Commission believes that this recommendation (based on a similar statute in five other states) is in the public interest. As shown in Appendix B, one policy was non-renewed because the insured failed to disclose a speeding ticket which occurred 5 years prior to the date of termination. The State Corporation Commission is of the opinion that insurers have adequate opportunity to underwrite their renewal book of business each year and that it is unreasonable for a company to non-renew a policy after having renewed the same policy for several years without a change in the driving record or loss experience as of the time of the last renewal. This provision will prevent companies from using out-dated information to non-renew motor vehicle insurance policies. It is also in keeping with § 38.2-1904 which prevents insurers from going back more than four years to surcharge rates for accidents or violations.

7. **Prohibit an insurer from non-renewing a private passenger motor vehicle insurance policy solely because of claims submitted under the uninsured motorists coverage of the policy.**

While no specific examples of non-renewals for uninsured motorists claims were noted in the sample of complaint files reviewed, the Bureau has received complaints of this nature. Also several examples of non-renewals based on one not-at-fault loss are shown in Appendix B. Claims submitted under the

uninsured motorists coverage of the policy represent a type of not-at-fault loss. As shown in the report, three states currently prohibit companies from non-renewing policies on the basis of not-at-fault accidents. The State Corporation Commission has chosen to identify the type of not-at-fault loss which may not be used as grounds for non-renewal, rather than prohibiting non-renewals on the basis of any not-at-fault loss since the State Corporation Commission believes this type of prohibition would be too broad.

The uninsured motorists coverage of the policy provides protection to the insured and passengers of the insured vehicle for bodily injury or property damage caused by a negligent uninsured motorist. This coverage is required by law and must be included in each motor vehicle insurance policy issued in Virginia. It is intended to provide a recovery for innocent victims who might otherwise go uncompensated for their injuries. The State Corporation Commission believes that insureds who file claims under the uninsured motorists portion of their policy should not be penalized for the negligence of other motorists who fail to carry insurance.

8. **Prohibit an insurer from non-renewing a private passenger motor vehicle insurance policy solely on the basis of a single claim submitted under the medical payments or medical expense coverage of the policy due to an accident for which the insured was neither wholly nor partially at fault.**

While no specific examples of non-renewals of this kind were noted in the sample of complaint files reviewed for this study, the Bureau has received complaints of this nature. Also several examples of non-renewals based on one not-at-fault loss are shown in Appendix B. As shown in the report, three states currently prohibit companies from non-renewing policies on the basis of not-at-fault accidents. The State Corporation Commission has chosen to identify the type of not-at-fault loss which may not be used as grounds for non-renewal, rather than prohibiting non-renewals on the basis of any not-at-fault loss since the State Corporation Commission believes this type of prohibition would be too broad.

This provision will prevent companies from non-renewing policies solely on the basis of one not-at-fault loss for which the insured is claiming payment under the medical payments coverage of the policy or the medical expense coverage. Both types of coverages are designed to pay for medical, hospital, and funeral expenses incurred as a result of an automobile accident. The State Corporation Commission believes that an insured should be entitled to receive compensation for injury under these coverages without fear of termination, especially if the accident was due to someone else's negligence.

9. **Require insurers to specify in the notice of cancellation or non-renewal that the insured's right to a review by the Commissioner entitles the insured to a review of the technical and legal accuracy of the cancellation or non-renewal, but does not give the Commissioner the authority to substitute his judgment as to underwriting for that of the insurer.**

This will clarify any misunderstandings that policyholders may have as to the authority granted to the Commission by law. Many policyholders expect the Bureau to be able to overturn company decisions that the insured considers unfair or unreasonable. The Bureau does not have this authority. The State Corporation Commission recommends making this change in the notice requirements for the purposes of clarifying the Bureau's authority.

CONCLUSION

The State Corporation Commission's Bureau of Insurance concluded that Virginia law currently provides for sufficient notice of cancellation and non-renewal to be given to automobile insurance policyholders. The Bureau also determined that Virginia insurance law adequately protects consumers from unjustified policy cancellations once the policy has been in effect for 60 days. The 60-day period was determined to be a reasonable amount of time for companies to obtain the necessary information they need to properly underwrite an application for new business.

The Bureau of Insurance did, however, note a number of instances where automobile insurance policies had been non-renewed for reasons which the Bureau considered to be unjustified or unreasonable. Several changes in Title 38.2 of the Code of Virginia were recommended as a result of these findings. Appendix E contains proposed language which could be incorporated into the insurance code to effect the changes recommended in this report.

APPENDIX A

Grounds Permitted by State Law for Mid-term Cancellations*	Grounds Permitted by State Law for Non-Renewals
<p>Alabama</p> <ol style="list-style-type: none"> 1. Non-pay; 2. Material misrepresentation; 3. Violation of terms of contract; 4. Failure to disclose all accident and violation history for past 3 years or any other necessary information; 5. False or fraudulent claim; 6. Susp. of license within 3 years;** 7. Insured is subject to heart attacks or epilepsy; 8. Accident or conviction record, or mental or physical condition represents hazard to public safety; 9. Use of drugs or excessive use of alcohol; 10. Conviction within 3 years of felony; criminal negligence resulting in death, homicide or assault using an auto; DWI; leaving scene; theft of auto; making false statements on license; 11. Conviction of 3 or more violations in past 3 years which constitute a misdemeanor; 12. Auto is mechanically defective, used for hire, used to transport explosives, emergency vehicle, modified to increase risk, failed to pass inspection. 	<p>Not limited.***</p>
<p>Alaska</p> <ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license. 	<p>Not limited.</p>
<p>Arizona</p> <ol style="list-style-type: none"> 1. Non-pay; 2. Fraud; 3. Susp. of license; 4. Permanently disabled; 5. Criminal negligence resulting in death, assault, or homicide using an auto; 6. DWI; 7. Leaving scene; 8. False statements on license; 9. R. D. 	<p>Same as for cancellations.</p>

* After specified # of days policy has been in force.
 ** Suspension or revocation of license has been abbreviated on chart as susp. of license.
 *** Chart does not include unfair discrimination prohibitions (i.e., age, sex, marital status, race, religion, etc.) which many states have enacted.

	Grounds Permitted by State Law for Mid-term Cancellations	Grounds Permitted by State Law for Non-Renewals
Arkansas	<ol style="list-style-type: none"> 1. Non-pay; 2. DWI; 3. Homicide; 4. 3 speeds or R. D.s; 5. Susp. of license; 6. Fraud. 	Not limited.
California	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license. 	Not limited.
Colorado	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license; 3. False statements. 	Insurers may not non-renew because: <ol style="list-style-type: none"> 1. Agent no longer represents the company; 2. Motor vehicle record shows citations but no convictions; 3. Motor vehicle convictions given in the course of employment while driving a car as a public or livery conveyance; 4. Liability payments have been made without a reasonable investigation to determine fault; 5. Existence of physical impairment.
Connecticut	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license. 	Not limited.
Delaware	May not cancel unless the reason is for: <ol style="list-style-type: none"> 1. Non-pay; 2. Material misrepresentation; 3. Violation of terms of contract; 4. Failure to disclose accident and violation information (3 years); 5. Fraudulent claim; 6. Suspension of license within 3 years; 7. Speed racing; 8. DWI; 	Same as for cancellations.

**Grounds Permitted by State Law
for Mid-term Cancellations**

**Grounds Permitted by State
Law for Non-Renewals**

Delaware cont.	<ol style="list-style-type: none"> 9. Conviction within 3 years of felony; criminal negligence resulting in death, homicide, or assault using a car; leaving scene; theft of auto; false statements on license; 10. 3 or more speeding or other moving violations within 3 years; 11. Auto mechanically defective; 12. Auto used for hire; 13. Auto used to transport flammables; 14. Auto is emergency vehicle 15. Auto has not been inspected or fails inspection; 16. Auto has been modified to increase risk substantially; 17. Insured is subject to heart attack or epilepsy or other physical or mental impairments which would endanger public safety; 18. Insured has an accident or conviction record which would endanger public safety. 	Not limited.
D.C.	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license. 	Not limited.
Florida	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license; 3. Fraud. 	May not non-renew for any reason which is arbitrary or capricious.
Georgia:	<p>Allows insurers to cancel for:</p> <ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license within 3 years; 3. Material misrepresentation; 4. Violation of terms of contract; 5. Failure to disclose accident and traffic violation information (3 years); 6. Fraudulent claim; 7. Insured is subject to heart attacks or epilepsy; 8. Accident or conviction record would endanger public safety; 9. DWI; 	Not limited.

**Grounds Permitted by State Law
for Mid-term Cancellations**

**Grounds Permitted by State
Law for Non-Renewals**

Georgia cont.	<ol style="list-style-type: none">10. Conviction within 3 years of felony, criminal negligence resulting in death, homicide or assault using an auto, leaving scene, theft of auto, false statements on license;11. 3 or more speeding or other moving violations within 3 years which constitute a misdemeanor;12. Auto mechanically defective;13. Auto used for hire;14. Auto used to transport flammables;15. Auto is emergency vehicle;16. Auto has been modified to increase risk substantially.	
Hawaii	<ol style="list-style-type: none">1. Non-pay2. Susp. of license.	Same as for cancellations.
Idaho	<ol style="list-style-type: none">1. Material misrepresentation;2. Violation of terms of contract;3. Non-pay;4. Failure to disclose accident and violation history for past 3 years;5. Suspension of license within 3 years;6. History of accidents or convictions or history of epilepsy or heart attacks or other physical or mental impairments which would endanger public safety;7. Fraudulent claims;8. Addiction to drugs;9. Excessive use of alcohol;10. Engaging in speed contests;11. Conviction within 36 months of felony, criminal negligence involving use of vehicle resulting in death, homicide, or assault; DWI; leaving scene of accident; theft of car; making fraudulent statements on license;	Same as for cancellations.

	Grounds Permitted by State Law for Mid-term Cancellations	Grounds Permitted by State Law for Non-Renewals
Idaho cont.	<ol style="list-style-type: none"> 12. Conviction of 3 or more violations within 36 months which constitute a misdemeanor; 13. Mechanically defective car; 14. Car used for hire or in business of transporting explosives or flammables, 15. Authorized emergency vehicle; 16. Car has failed to pass; inspection; 17. Car has been modified and this increases the risk. 	
Illinois	<ol style="list-style-type: none"> 1. Non-pay; 2. Material misrepresentation; 3. Violation of terms of policy; 4. Substantial increase in risk; 5. Loss of reinsurance. 	Not limited.
Indiana:	<ol style="list-style-type: none"> 1. Non-pay; 2. Suspension of license; 3. Insured is under treatment for epilepsy or heart attack; 4. Excessive use of alcohol; 5. Fraud or willful misrepresentation; 6. Violation of terms of contract. 	Not limited.
Iowa	<ol style="list-style-type: none"> 1. Non-pay; 2. Fraud; 3. Susp. of license; 4. Violation of terms of contract. 	Not limited.
Kansas	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license; 3. Fraud; 4. Violation of terms of contract; 5. Insured is subject to epilepsy or heart attacks; 6. conviction within 3 years of felony, criminal negligence resulting in death, homicide, or assault using an auto, leaving scene, DWI, false statements on license, three moving violations. 	Not limited.

	Grounds Permitted by State Law for Mid-term Cancellations	Grounds Permitted by State Law for Non-Renewals
Kentucky	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license. 	Not limited.
Louisiana	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license; 3. Fraud or material misrepresentation in presentation of claim. 	Not limited.
Maine	<ol style="list-style-type: none"> 1. Non-pay; 2. Fraud; 3. Violation of terms of contract; 4. Susp. of license. 	<ol style="list-style-type: none"> 1. Non-pay; 2. Fraud; 3. Violation of terms of contract; 4. Susp. of license; 5. Conviction in past 3 years of DWI, homicide or assault using an auto, speed or R.D. where death or injury occurs, 3 speeds or R.D.'s, avoiding arrest, filing false document with DMV, leaving scene, racing; 6. Allowing unlicensed driver to use car; 7. Filing false or fraudulent claim; 8. Modification of auto to substantially increase risk; 9. 2 or more accidents resulting in B.L or P.D. in excess of \$300 except where: <ol style="list-style-type: none"> a. struck in rear; b. struck while parked; c. other person has judgment against them or has reimbursed insurer; d. other person convicted in the accident and the insured was not.
Maryland	Insurers may not cancel because of an accident or violation more than 3 years old; also may not cancel for any reason which is arbitrary, capricious, or unfairly discriminatory.	Insurers may not non-renew because of an accident or violation more than 3 years old; also may not non-renew for any reason which is arbitrary, capricious, or unfairly discriminatory.

	Grounds Permitted by State Law for Mid-term Cancellations	Grounds Permitted by State Law for Non-Renewals
Massachusetts	<ol style="list-style-type: none"> 1. Non-pay; 2. Fraud; 3. Susp. of license; 4. Failure to comply with request for inspection. 	Not limited.
Michigan	<ol style="list-style-type: none"> 1. Susp. of license; 2. Non-pay. 	<ol style="list-style-type: none"> 1. Susp. of license; 2. Conviction of fraud involving an insurance claim; 3. Conviction within past 3 years of felony or certain other laws enumerated in Code; 4. Failure to meet motor vehicle safety requirements; 5. Non-pay; 6. Accumulation of more than 6 points on driving record during past 3 years. 7. Substantial modification of vehicle; 8. Custom vehicle; 9. Excessive repair or replacement value; 10. Vehicle used for hire; 11. Use of alcohol.
Minnesota	<ol style="list-style-type: none"> 1. Non-pay; 2. Material misrepresentation; 3. False or fraudulent claim; 4. Failure to disclose all accidents and violations occurring during past 3 years or other necessary information; 5. Refusal to cooperate in the investigation of a claim; 6. Susp. of license within 3 years; 7. Insured is subject to epilepsy or heart attacks (within 3 years); 8. Accident or traffic record, or physical or mental condition might endanger public safety; 	Same as for cancellations plus: <ol style="list-style-type: none"> 1. Agency termination; 2. Driving record accumulates specified # of points per vehicle insured; 3. Failure to provide underwriting information after 2 requests; 4. Two or more total thefts if no recovery is made; 5. Physical damage coverage may be non-renewed if there have been 3 claims payments for one car insured or 4 claims payments for

	Grounds Permitted by State Law for Mid-term Cancellations	Grounds Permitted by State Law for Non-Renewals
Minnesota cont.	<ol style="list-style-type: none"> 9. Conviction within past 2 years of leaving scene, DWI, making false statements on license, theft of auto, criminal negligence using an auto; 10. Mechanically defective auto; 11. Auto used for hire; 12. Auto used to transport flammables; 13. Auto is emergency vehicle; 14. Modification of auto; 15. Failure to pass inspection. 	<ol style="list-style-type: none"> 6. more than one car insured except where payments were for towing or natural causes; May not non-renew for any reason which is arbitrary or capricious.
Mississippi	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license. 	Not limited.
Missouri	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license. 	Not limited.
Montana	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license; 3. Material misrepresentation; 4. Substantial change in risk. 5. Substantial breach of contract. 	Not limited.
Nebraska	<ol style="list-style-type: none"> 1. Non-pay; 2. Fraud; 3. Susp. of license; 4. Conviction of theft of auto. 	Not limited.
Nevada	<ol style="list-style-type: none"> 1. Non-pay; 2. Grounds specified in policy which shall not be disapproved if such grounds protect the insurer against material misrepresentation and increased risk. 	Not limited.
New Hampshire	<ol style="list-style-type: none"> 1. Non-pay; 2. Fraud; 3. Substantial increase in hazard; 4. Violation of terms of contract. 	Not limited.

**Grounds Permitted by State Law
for Mid-term Cancellations**

**Grounds Permitted by State
Law for Non-Renewals**

New Jersey

1. Non-pay;
2. Susp. of license.

1. 2 or more B.L accidents if only one car in household; 3 or more B.L accidents if 2 or more cars in household;
2. 2 or more P.D. accidents totalling at least \$300 if only one car in household, and 3 or more such accidents if more than one car in household;
3. Any combination of bodily injury and property damage described above;
4. May not non-renew if accidents involved:
 - a. auto lawfully parked;
 - b. insured has been reimbursed by other driver;
 - c. the other driver was convicted of a violation and insured was not;
 - d. "hit and run" accident reported to police;
 - e. collision with an animal.
5. DWI;
6. Leaving scene of accident;
7. Criminal negligence or assault using an auto;
8. Suspension or revocation of license;
9. 9 or more points;
10. Professional racing;
11. False or fraudulent statements;
12. Refusal to submit to medical exam when operator's ability to drive is questionable.

(Items number 1 through 9 must have occurred within past 3 years.)

Insurers may non-renew comprehensive coverage if during the past 12 months there has been 4 or more claims totalling at least \$100 each for one car in the household and 6 or more such claims for 2 or more cars in household.

	Grounds Permitted by State Law for Mid-term Cancellations	Grounds Permitted by State Law for Non-Renewals
New Mexico	<ol style="list-style-type: none"> 1. Non-pay 2. Other reasons approved by Superintendent. 	Not limited.
New York	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license; 3. Fraud. 	Not limited in terms of reasons; Insurers may non-renew a maximum of 2% of business written per territory.
North Carolina	<ol style="list-style-type: none"> 1. Non-pay; 2. Material misrepresentation; 3. Increased hazard; 4. Breach of contract; 5. Failure to exercise loss control measures; 6. Loss of reinsurance; 7. Conviction of crime. 	Same as for cancellations.
North Dakota	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license; 3. Fraud; 4. Mechanically defective auto; 5. Auto used for hire; 6. Auto used to transport flammables; 7. Auto is emergency vehicle; 8. Auto is altered; 	Not limited.
Ohio	<ol style="list-style-type: none"> 1. Non-pay; 2. Material misrepresentation; 3. Susp. of license 	Not limited.
Oklahoma	<ol style="list-style-type: none"> 1. Non-pay; 2. Material misrepresentation; 3. Willful or reckless acts which increase hazard; 4. Conviction of crime which increases hazard; 5. DWL. 	Insurers may not non-renew for an accident in which insured was not-at-fault unless insured was convicted of homicide or assault or DWL.

	Grounds Permitted by State Law for Mid-term Cancellations	Grounds Permitted by State Law for Non-Renewals
Oregon	<ol style="list-style-type: none"> 1. Non-pay; 2. Fraud; 3. Susp. of license. 	<p>Insurers may not consider accidents or violations that occurred more than 3 years in the past; non-renewal must be for a justifiable cause.</p>
Pennsylvania	<ol style="list-style-type: none"> 1. Non-pay; 2. Material misrepresentation; 3. Susp. of license. 	<p>Insurers may not non-renew because of an accident where:</p> <ol style="list-style-type: none"> 1. Auto lawfully parked; 2. Insured is reimbursed by other person responsible for the accident or has a judgment against him; 3. Auto is struck in the rear and the insured has not been convicted of a moving traffic violation in connection with the accident; 4. Auto is struck by a hit and run driver and the accident has been reported to the proper authorities within 24 hours; 5. Operator of other vehicle was convicted of a moving traffic violation and the insured was not; 6. Accident involved damage by contact with animals or fowl; 7. Accident involved physical damage limited to and caused by flying gravel, missiles, or falling objects; 8. Accident occurred when using auto in response to emergency if the operator was a paid or volunteer member of police or fire department, first aid squad, or any law enforcement agency; 9. Accidents occurring more than 36 months prior to the later of the inception date of the policy or the upcoming anniversary date; 10. Claim submitted under comprehensive coverage unless loss was intentionally caused by insured;

**Grounds Permitted by State Law
for Mid-term Cancellations**

**Grounds Permitted by State
Law for Non-Renewals**

Pennsylvania cont.		<p>11. One accident occurring within the 36 month period prior to the upcoming anniversary date. Also cannot non-renew for 2 or fewer moving violations during a 24 month period if the operator's driving record shows 5 or fewer points unless all 5 points were incurred for one violation or unless the license has been suspended or revoked.</p>
Rhode Island	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license. 	<p>Insurers may not non-renew for less than 3 not-at-fault losses; may non-renew for one at-fault loss.</p>
South Carolina	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license. 	<p>Not limited.</p>
South Dakota	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license. 	<p>Not limited.</p>
Tennessee	<ol style="list-style-type: none"> 1. Non-pay; 2. Material misrepresentation; 3. Failure to disclose 3 year accident and violation history or other necessary information; 4. Violation of terms of contract; 5. Fraudulent claim; 6. Susp. of license within 3 years; 7. Insured is subject to epilepsy or heart attacks; 8. Conviction within 3 years of felony; criminal negligence resulting in death, homicide, or assault using vehicle; DWI, leaving scene, false statements on license, 3 speeding violations, 3 violations which constitute a misdemeanor; 	<p>Not limited.</p>

	Grounds Permitted by State Law for Mid-term Cancellations	Grounds Permitted by State Law for Non-Renewals
Tennessee cont.	<ol style="list-style-type: none"> 9. Auto is substantially altered; 10. Auto is emergency vehicle; 11. Auto failed inspection. 	
Texas	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license. 	Not limited.
Utah	<ol style="list-style-type: none"> 1. Non-pay; 2. Material misrepresentation; 3. Substantial change in risk; 4. Breach of contract; 5. Susp. of license. 	Not limited.
Vermont	<ol style="list-style-type: none"> 1. Non-pay; 2. Fraud; 3. Susp. of license. 	Not limited.
Virginia	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license. 	Not limited.
Washington	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license. 	Insurers may not non-renew liability or collision coverage because of claims under comprehensive, towing, or road service coverage. Also may not non-renew because of accidents or violations that occurred more than 3 years in the past.
West Virginia	<ol style="list-style-type: none"> 1. Non-pay; 2. Material misrepresentation; 3. Violation of terms of contract; 4. Susp. of license; 5. Insured is subject to epilepsy or heart attacks; 6. Insured has been convicted during the policy period of a felony, homicide while using an auto, DWI, leaving scene, theft of auto, false statements on license, 3 violations in one year which constitute a misdemeanor. 	After a policy has been in effect for 2 consecutive years insurers are limited to the same reasons for non-renewals as for cancellations, except that insurers may also non-renew after 2 violations within the year or 2 at-fault losses in one year.

	Grounds Permitted by State Law for Mid-term Cancellations	Grounds Permitted by State Law for Non-Renewals
Wisconsin	<ol style="list-style-type: none"> 1. Non-pay; 2. Material misrepresentation; 3. Substantial change in risk; 4. Breach of contract. 	Insurers may not non-renew because of termination of an agent's contract unless renewal offer is made.
Wyoming	<ol style="list-style-type: none"> 1. Non-pay; 2. Susp. of license; 3. Fraud. 	Not limited.

APPENDIX B

Complaint Files Reviewed

Complaint File Number	Name of Company & Policy Number	Year Term.	Reasons Cancelled or Non-renewed	Number of Years Insured	Final Disposition of Complaint
86239053	Virginia Farm Bureau 374828	NR* 1986	1 not-at-fault accident (1985)	unknown	reinstated
86237019	Virginia Farm Bureau 010769	NR 1986	Son had 1 accident which was dismissed by judge. (1985)	25	reinstated
86176035	Virginia Farm Bureau 013760	NR 1986	1 at-fault accident \$600 damage (1985)	14	reinstated
86111047	Virginia Farm Bureau 397458	NR 1986	Speeding ticket (1983) - lack of supporting business	unknown	reinstated
86108037	Virginia Farm Bureau 344586	NR 1986	Ex-husband had at-fault accident (1982), insured had 1 towing claim (1985)	unknown	reinstated
85331056	Virginia Farm Bureau 393399	NR 1986	No supporting fire business.	1	reinstated

*NR = Non-Renewed

Complaint Files Reviewed

Complaint File Number	Name of Company & Policy Number	Year Term.	Reasons Cancelled or Non-renewed	Number of Years Insured	Final Disposition of Complaint
86223041	Virginia Farm Bureau 024420	NR 1986	1 not-at-fault (1983) 1 at-fault (1985)	22	reinstated
8612046	Virginia Farm Bureau 51721	NR 1986	2 towing claims (1983) 1 comprehensive claim (1985)	17	reinstated
87034028	Virginia Farm Bureau 020384	NR 1986	1 at-fault accident (1986)	23	terminated
86125030	Virginia Farm Bureau 391169	NR 1986	no supporting fire business	2	terminated
86070015	Virginia Farm Bureau 317773	NR 1986	2 claims for stolen hub-caps (1981, 1982); 1 towing claim (1982)	8	terminated
86107049	Virginia Farm Bureau 064876	NR 1986	1 accident 15 - 20 years back by wife; 1 at-fault accident (1986) by insured (poor weather conditions)	30	terminated
86029017	Virginia Farm Bureau 400011	NR 1986	1 towing charge (1985)	1	terminated

Complaint Files Reviewed

Complaint File Number	Name of Company & Policy Number	Year Term.	Reasons Cancelled or Non-renewed	Number of Years Insured	Final Disposition of Complaint
85336041	Virginia Farm Bureau 398657	NR 1986	1 not-at-fault accident (1985)	1	terminated
85345044	Virginia Farm Bureau 055601	NR 1986	1 not-at-fault accident (1985)	16	terminated
N/A - not yet closed	Virginia Farm Bureau 408995	NR 1987	1 not-at-fault accident	2	still pending
86199023	Virginia Farm Bureau 367205	NR 1986	2 comp. claims (1984)	4	terminated
87041068	Metropolitan Property & Liability A228-86-3736-0	NR 1987	1 at-fault accident (1985)	4	reinstated
86072024	Metropolitan Property & Liability 075-46-5307	NR 1986	1 vandalism loss covered by insured because of deductible (1985); 1 not-at-fault accident (1985)	6	terminated
86157034	Metropolitan Property & Liability A108-42-1255-0	NR 1986	Purchase of a 1984 Pontiac Trans Am; no accidents or violations	4	terminated

Complaint Files Reviewed

Complaint File Number	Name of Company & Policy Number	Year Term.	Reasons Cancelled or Non-renewed	Number of Years Insured	Final Disposition of Complaint
86189021	Metropolitan Property & Liability A226-86-4115-0	NR 1986	1985 Corvette; 1 not-at-fault accident (1984)	4	terminated
86105047	Great American SD2 368204	NR 1986	1 at-fault accident \$204.00 claim (1984)	20	reinstated
86087047	Great American SD 6890762	NR 1986	1 undeclared speeding ticket (1981)	2	terminated
85339033	Great American SD2 1086270	NR 1985	1 at-fault accident (1981); 1 comp. loss (1982)	7	terminated
86042057	Great American SDI 637289	NR 1986	2 towing claims	2	terminated
86295017	Nationwide 53-147-590	NR 1986	1 loss (1986)	16	terminated
86357046	Nationwide 53B 958-733	NR 1987	1 comp. claim (1986)	2	reinstated
86094011	Aetna 236SR2881438 PCA	NR 1986	1 comp. claim (1983); 1 towing charge (1984)	16	reinstated

Complaint Files Reviewed

Complaint File Number	Name of Company & Policy Number	Year Term.	Reasons Cancelled or Non-renewed	Number of Years Insured	Final Disposition of Complaint
86118042	Aetna 236SR22649073 PCA	NR 1986	1982 Datsun 280ZX	4	reinstated
86139042	Aetna 236SR2932174 PCA	NR 1986	3 comp. claims (2 in 1984; 1 in 1985)	13	terminated
86114030	Aetna 236SR6021751 PCA	NR 1986	Youthful daughter had not yet been added to policy.	12	terminated
86206031	State Farm 324 0815 C15 46A1	NR 1986	Ex-son-in-law's driving record. Ex-son-in-law did not reside in insured house- hold or drive his car.	unknown	reinstated
86015040	Travelers 009 591010101 1	NR 1986	3 comp. claims (1983, '84, '85)	14	terminated
86028062	Allstate 052 058 282	NR 1986	2 speeding violations (1984, 1985)	9	terminated
86272079	Allstate 018 868 019	NR 1986	1 vandalism claim (vandalism was to all 3 vehicles under policy on 11/29/85); 1 comp. claim in 1983	23	reinstated

Complaint Files Reviewed

Complaint File Number	Name of Company & Policy Number	Year Term.	Reasons Cancelled or Non-renewed	Number of Years Insured	Final Disposition of Complaint
86233029	Allstate 018-421-853	NR 1986	3 speeding violations (1983; 2 - 1985); 2 for Son who has own policy and car; 1 for ex-wife	24	reinstated
85337037	Allstate 018-888-153	NR 1985	1 at-fault accident (1985)	15	reinstated
86062063	American Motorists 53 BHB 101 578	NR 1986	2 speeding violations (1985)	5	terminated
86232064	American National Fire SD1 5415270	NR 1986	1969 MGB GT (Sports car)	3	reinstated
86058031	Hartford Accident & Ind. 14 EP 647574	NR 1986	Addition of youthful son to policy	2	terminated

APPENDIX C

Survey of Business Written by Top 50 Insurers

	<u>No. of New Policies Written</u>	<u>No. of Policies Renewed</u>	<u>No. of Policies Cancelled for Cause</u>	<u>No. of Policies Non-renewed</u>	<u>Market Share*</u>
<u>Aetna Casualty & Surety Co.**</u>					
1984	9,989	63,945	125	312	
1985	11,819	63,992	574	338	
1986	14,211	63,604	798	218	3.2%
<u>Allstate Ind. Co.</u>					
1984	8,902	9,686	N/A	N/A	
1985	8,963	17,768	less than 1% of 328	328***	
1986	12,980	25,763	less than 1% of 530	530***	2.0%
<u>Allstate Ins. Co</u>					
1984	25,640	287,216	N/A	N/A	
1985	26,341	294,952	less than 1% of 4,568	4,568***	
1986	27,411	297,622	less than 1% of 9,745	9,754***	8.9%
<u>American Motorists Ins. Co. (also incl. other Kemper Cos.)</u>					
1984	1,816	19,926	69	145	
1985	2,679	19,420	130	415	
1986	2,704	19,428	289	626	.4%

*Based on direct premiums earned for the company ranked among the top 50 writers in Virginia as shown in the Bureau's 1986 Financial Data Report.

**Cancellations for this company include policies non-renewed on the first anniversary date; non-renewals include policies non-renewed on the second or subsequent date. (Aetna's system cannot differentiate between cancellations and non-renewals during the first year of coverage.)

***Also includes number of policies cancelled for cause, which is estimated to be less than 1% of each figure.

N/A = Information Not Available

	<u>No. of New Policies Written</u>	<u>No. of Policies Renewed</u>	<u>No. of Policies Cancelled for Cause</u>	<u>No. of Policies Non-renewed</u>	<u>Market Share*</u>
<u>Amica Mutual Ins. Co.</u>					
1984	351	5,235	0	1	
1985	341	5,268	0	3	
1986	436	5,365	0	0	.3%
<u>Atlas Ins. Co</u>					
1984	3,278	2,186	255	601	
1985	2,892	2,669	325	445	
1986	2,120	3,180	265	527	.3%
<u>Cigna Cos. (incl. INA)</u>					
1984	3,284	14,257	216	268	
1985	2,050	11,520	345	823	
1986	1,989	10,149	90	604	.4%
<u>Cincinnati Ins. Co.</u>					
1984	N/A	N/A	N/A	N/A	
1985	N/A	N/A	N/A	N/A	
1986	N/A	N/A	N/A	N/A	.6%
<u>Continental Ins. Cos. (incl. Commercial Ins. Co. of Newark)</u>					
1984	5,220	45,536	1,509	N/A	
1985	3,907	37,083	1,233	551	
1986	3,396	32,017	801	457	.3%

	<u>No. of New Policies Written</u>	<u>No. of Policies Renewed</u>	<u>No. of Policies Cancelled for Cause</u>	<u>No. of Policies Non-renewed</u>	<u>Market Share*</u>
<u>Criterion Casualty Co.</u>					
1984	3,475	N/A	N/A	N/A	
1985	3,497	3,404 (July - Dec.)	8 (July - Dec.)	0 (July - Dec.)	
1986	3,980	6,793	23	8	.2%
<u>Dairyland Ins. Co.</u>					
1984	43,222	22,300	71	60	
1985	41,778	22,031	89	74	
1986	48,130	21,994	133	106	1.7%
<u>Erie Ins. Co.</u>					
1984	N/A	N/A	N/A	N/A	
1985	4,520	5,016	191	N/A	
1986	5,450	6,410	175	271	.6%
<u>Erie Ins. Ex.</u>					
1984	N/A	N/A	N/A	N/A	
1985	10,907	36,654	336	N/A	
1986	12,639	42,072	424	769	1.6%
<u>GEICO Ins. Co.</u>					
1984	19,571	150,027	771	1,649	
1985	20,182	157,949	908	2,666	
1986	22,551	160,977	690	3,100	7.4%

	<u>No. of New Policies Written</u>	<u>No. of Policies Renewed</u>	<u>No. of Policies Cancelled for Cause</u>	<u>No. of Policies Non-renewed</u>	<u>Market Share*</u>
<u>Great American Ins. Co. & American National Fire Ins. Co. (also incl. American Alliance Ins. Co., Agricultural Ins. Co.)</u>					
1984	483	28,028	N/A	N/A	
1985	6,010	45,351	N/A	1,968	
1986	9,811	41,153	N/A	5,094	.7%
<u>Harleysville Mutual Ins. Co.</u>					
1984	7,406	17,792	2,477	439	
1985	3,241	17,686	2,337	1,150	
1986	5,713	15,400	1,670	1,082	.9%
<u>Hartford Accident & Indemnity (& Affiliates)</u>					
1984	7,538	15,359	N/A	N/A	
1985	5,194	16,786	N/A	N/A	
1986	2,036	14,205	N/A	N/A	1.0%
<u>Horace Mann Ins. Co.</u>					
1984	4071	12,272	N/A	389	
1985	4155	12,238	N/A	385	
1986	4447	14,142	N/A	760 (incls. small # midterm canc.)	.4%

	<u>No. of New Policies Written</u>	<u>No. of Policies Renewed</u>	<u>No. of Policies Cancelled for Cause</u>	<u>No. of Policies Non-renewed</u>	<u>Market Share*</u>
<u>Liberty Mutual Fire Ins. Co. & Liberty Ins. Corp.</u>					
1984	3,582	26,514	99	233	
1985	5,667	26,906	196	302	
1986	5,170	29,807	205	211	1.4%
<u>Maryland Casualty Co.</u>					
1984	2,340	14,386	62	20	
1985	1,094	11,641	36	15	
1986	1,323	7,551	166	23	.3%
<u>Metropolitan Property & Liability Ins. Co.</u>					
1984	1,871	4,297	434	64	
1985	2,132	4,123	571	105	
1986	2,663	4,725	512	175	.3%
<u>Nationwide Mutual Fire Ins. Co.</u>					
1984	12,934	5,041	2,429	1,227	
1985	13,366	7,745	1,335	1,230	
1986	16,851	9,531	1,717	1,594	.85%
<u>Nationwide Mutual Ins. Co.</u>					
1984	69,149	227,755	5,391	7,063	
1985	81,065	239,375	3,461	7,389	
1986	101,399	254,830	3,698	8,944	7.9%

	<u>No. of New Policies Written</u>	<u>No. of Policies Renewed</u>	<u>No. of Policies Cancelled for Cause</u>	<u>No. of Policies Non-renewed</u>	<u>Market Share*</u>
<u>Peninsula Ins. Co.</u>					
1984	3,302	3,000	less than 20	less than 10	
1985	3,423	2,800	less than 15	less than 10	
1986	2,636	2,600	less than 10	less than 10	.2%
<u>Pennsylvania National Mutual Casualty Ins. Co.</u>					
1984	3,313	9,758	N/A	N/A	
1985	1,620	9,067 (April - Dec.)	89 (April - Dec.)	433	
1986	2,627	7,678	194	652	.3%
<u>Progressive Casualty Ins. Co.</u>					
1984	13,138	3,337	N/A	N/A	
1985	14,836	6,536	N/A	N/A	
1986	23,297	9,294	N/A	N/A	2.2%
<u>Prudential Property & Casualty Ins. Co.</u>					
1984	5,353	4,956	177	76	
1985	5,991	4,908	325	82	
1986	9,012	6,132	602	126	.3%
<u>Royal Ins. Co. of America</u>					
1984	2,721	9,023	N/A	N/A	
1985	3,846	7,931	N/A	N/A	
1986	4,162	7,625	N/A	N/A	.4%

	<u>No. of New Policies Written</u>	<u>No. of Policies Renewed</u>	<u>No. of Policies Cancelled for Cause</u>	<u>No. of Policies Non-renewed</u>	<u>Market Share*</u>
<u>Safeco Ins. Co. of America</u>					
1984	2,928	7,900	51	687	
1985	2,981	7,855	74	416	
1986	2,958	7,439	34	626	.4%
<u>Selective Ins. Co. of America</u>					
1984	4,553	14,352	N/A	N/A	
1985	4,923	16,956	143	N/A	
1986	1,938	15,857	303	N/A	.4%
<u>Shelby Mutual Ins. Co.</u>					
1984	1,864	14,982	172	268	
1985	1,455	13,071	209	1,969	
1986	1,194	9,706	172	924	.3%
<u>Southeastern Fidelity Ins. Co.</u>					
1984	N/A	N/A	N/A	N/A	
1985	13,671	7,387	738	84	
1986	7,719	6,380	356	113	.8%
<u>State Farm Mutual Auto Ins. Co. & State Farm Fire & Casualty Ins. Co.</u>					
1984	168,586	574,656	7,295	6,307	
1985	179,935	598,997	7,367	6,557	
1986	175,848	612,765	7,214	9,706	22.2%

	<u>No. of New Policies Written</u>	<u>No. of Policies Renewed</u>	<u>No. of Policies Cancelled for Cause</u>	<u>No. of Policies Non-renewed</u>	<u>Market Share*</u>
<u>Stonewall & Dixie Ins. Cos.</u>					
1984	4,584	0	15	0	
1985	16,897	25,925	323	4	
1986	18,838	20,613	575	14	.8%
<u>Travelers (incl. Indemnity Co., Charter Oak Fire, Phoenix, Indemnity Co. of Illinois, & Indemnity Co. of America)</u>					
1984	14,378	68,609	727	3,400	
1985	17,347	67,039	660	3,857	
1986	18,865	67,115	2,356	4,596	4.3%
<u>USAA Casualty Ins. Co.</u>					
1984	8,099 (Oct. - Dec.)	18,511 (Oct. - Dec.)	308	114	
1985	9,356	21,042	368	119	
1986	14,861	24,895	392	225	1.5%
<u>United Services Automobile Assoc.</u>					
1984	1,940 (Oct. - Dec.)	22,006 (Oct. - Dec.)	82	256	
1985	9,146	95,312	91	236	
1986	10,206	99,578	199	229	5.8%

	<u>No. of New Policies Written</u>	<u>No. of Policies Renewed</u>	<u>No. of Policies Cancelled for Cause</u>	<u>No. of Policies Non-renewed</u>	<u>Market Share*</u>
<u>United States</u>					
<u>Fidelity & Guaranty Co.</u>					
1984	12,002	33,998	175	798	
1985	12,441	36,844	118	1,013	
1986	9,020	39,040	83	744	1.7%
<u>Valiant Ins. Co.</u>					
1984	1,854	9,329	46	24	
1985	824	9,125	18	14	
1986	1,220	7,414	140	12	.2%
<u>Virginia Mutual Ins. Co.</u>					
1984	4,185	12,340	N/A	N/A	
1985	4,994	13,891	714	404	
1986	3,578	13,575	729	531	.6%

The following companies did not provide any information requested by the Bureau:

American Interinsurance Exchange (withdrew from Virginia in 1986)
Virginia Farm Bureau and Early Settlers
Colonial Insurance Company of California
Colonial Penn Insurance Company

APPENDIX D

Monthly Assignments by Virginia Automobile Insurance Plan

<u>MONTH</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
January	10,600	8,600	9,150	7,975	5,150	4,785
February	11,150	7,150	8,250	8,400	5,804	4,457
March	16,975	12,223	10,700	11,025	8,875	6,406
April	15,800	11,800	12,155	12,000	8,375	6,055
May	14,750	11,866	11,552	8,725	6,730	5,823
June	13,425	9,800	9,850	8,852	7,304	5,501
July	11,275	10,075	10,100	9,475	6,100	4,756
August	11,401	10,550	9,625	8,301	5,853	4,962
September	9,302	9,731	9,750	8,675	5,652	4,056
October	10,725	11,375	11,025	8,825	5,326	3,878
November	9,625	10,044	8,052	6,729	5,254	3,414
December	<u>7,675</u>	<u>8,100</u>	<u>8,900</u>	<u>6,433</u>	<u>4,656</u>	<u>3,107</u>
TOTAL	142,703	121,314	119,109	105,415	75,079	57,164

<u>MONTH</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
January	3,063	3,513	6,376	7,809
February	3,190	3,172	6,081	8,295
March	3,982	4,464	7,802	9,739
April	4,154	4,917	8,061	11,808
May	3,830	4,917	8,307	9,997
June	3,733	4,618	8,927	9,596
July	3,945	5,040	11,154	8,605
August	3,976	5,130	9,888	7,381
September	3,657	5,079	9,515	7,382
October	4,284	6,200	10,763	7,034
November	3,665	5,404	10,143	
December	<u>3,017</u>	<u>5,449</u>	<u>8,636</u>	
TOTAL	44,496	57,903	105,653	

APPENDIX E

Proposed Revisions to Title 38.2

§ 38.2-2210. Warning concerning cancellation to appear on application for motor vehicle liability insurance; reason for cancellation or non-renewal required on application. --A. Any application for the original issuance of a policy of insurance covering liability arising out of the ownership, maintenance, or use of any motor vehicle as defined in § 38.2-2212 shall have the following statement printed on or attached to the first page of the application form, in red boldface type: READ YOUR POLICY. THE POLICY OF INSURANCE FOR WHICH THIS APPLICATION IS BEING MADE, IF ISSUED, MAY BE CANCELLED WITHOUT CAUSE AT THE OPTION OF THE INSURER AT ANY TIME IN THE FIRST 60 DAYS DURING WHICH IT IS IN EFFECT AND AT ANY TIME THEREAFTER FOR REASONS STATED IN THE POLICY.

This section shall not apply to the renewal of any policy of insurance.

B. Any application for the original issuance of a policy of insurance covering liability arising out of the ownership, maintenance, or use of any motor vehicle defined in § 38.2-2212 that requires the insured to disclose information as to any previous cancellation or refusal to renew must also require a full explanation of the reason for the cancellation or refusal to renew.

§ 38.2-2212. Grounds and procedure for cancellation of or refusal to renew motor vehicle insurance policies; review by Commissioner. — A. The following definitions shall apply to this section:

"Cancellation" or "to cancel" means a termination of a policy during the policy period.

"Insurer" means any insurance company, association, or exchange licensed to transact motor vehicle insurance in this Commonwealth.

"Policy of motor vehicle insurance" or "policy" means a policy or contract for bodily injury or property damage liability insurance issued or delivered in this Commonwealth covering liability arising from the ownership, maintenance, or use of any motor vehicle, insuring as the named insured one individual or husband and wife who are residents of the same household, and under which the insured vehicle therein designated in the policy is either:

a. A motor vehicle of a private passenger, station wagon, or motorcycle type that is not used commercially, rented to others, or used as a public or livery conveyance where the terms "public or livery conveyance" do not include car pools, or

b. Any other four-wheel motor vehicle with a load capacity of 1500 pounds or less which is not used in the occupation, profession, or business, other than farming, of the insured, or as a public or livery conveyance, or rented to others. The term "policy of motor vehicle insurance" or "policy" does not include (i) any policy issued through the Virginia Automobile Insurance Plan, (ii) any policy insuring more than four motor vehicles, (iii) any policy covering the operation of a garage, sales agency, repair shop, service station, or public parking place, (iv) any policy providing insurance only on an excess basis, or (v) any other contract providing insurance to the named insured even though the contract may incidentally provide insurance on motor vehicles.

"Renewal" or "to renew" means (i) the issuance and delivery by an insurer of a policy superseding at the end of the policy period a policy previously issued and delivered by the same insurer, providing types and limits of coverage at least equal to those contained in the policy being superseded, or (ii) the issuance and delivery of a certificate or notice extending the term of a policy beyond its policy period or term with types and limits of coverage at least equal to those contained in the policy. Each

renewal shall conform with the requirements of the manual rules and rating program currently filed by the insurer with the Commission. Except as provided in subsection K of this section, any policy with a policy period or term of less than twelve months or any policy with no fixed expiration date shall for the purpose of this section be considered as if written for successive policy periods or terms of six months from the original effective date.

B. This section shall apply only to that portion of a policy of motor vehicle insurance providing the coverage required by §§ 38.2-2204, 38.2-2205 and 38.2-2206.

C. 1. No insurer ~~or agent~~ shall refuse to renew a motor vehicle insurance policy solely because of the ~~age, sex, residence, race, color, creed, national origin, ancestry, marital status, or lawful occupation, including the military service, of anyone who is insured.~~ any one or more of the following factors:

- a. Age;
- b. Sex;
- c. Residence;
- d. Race;
- e. Color;
- f. Creed;
- g. National origin;
- h. Ancestry;
- i. Marital status;
- j. Lawful occupation, including the military service;
- k. Lack of driving experience, or number of years driving experience; or
- l. Lack of supporting business or lack of the potential for acquiring such business.

However, nothing in this section shall require any insurer to renew a policy for an insured where the insured's occupation has changed so as to materially increase the risk. Nothing in this section prohibits any insurer from setting rates in accordance with relevant actuarial data.

2. No insurer shall refuse to renew a motor vehicle insurance policy solely on the basis of:

a. One or more accidents or violations that occurred more than forty-eight months immediately preceding the upcoming anniversary date;

b. One or more claims submitted under the uninsured motorists coverage of the policy;

c. A single claim submitted under the medical payments or medical expense coverage of the policy due to an accident for which the insured was neither wholly nor partially at fault; or

d. One or more claims submitted under the comprehensive or towing coverages of the policy. However, nothing in this section shall prohibit an insurer from modifying or refusing to renew the comprehensive or towing coverages of the policy at the time of renewal on the basis of one or more claims submitted by an insured under those coverages, provided that the insurer shall mail or deliver to the insured at the address shown in the policy written notice of any such change in coverage at least 45 days prior to renewal.

D. No insurer shall cancel a policy except for one or more of the following reasons:

1. The named insured or any other operator who either resides in the same household or customarily operates a motor vehicle insured under the policy has had his driver's license suspended or revoked during the policy period or, if the policy is a

renewal, during its policy period or the ninety days immediately preceding the last anniversary of the effective date.

2. The named insured fails to pay the premium for the policy or any installment of the premium, whether payable to the insurer or its agent either directly or indirectly under any premium finance plan or extension of credit.

E. No cancellation or refusal to renew by an insurer of a policy of motor vehicle insurance shall be effective unless the insurer delivers or mails to the named insured at the address shown in the policy a written notice of the cancellation or refusal to renew. The notice shall:

1. Be in a type size authorized under § 38.2-311;

2. State the effective date of the cancellation or refusal to renew. The effective date of cancellation or refusal to renew shall be at least forty-five days after mailing or delivering to the insured the notice of cancellation or notice of refusal to renew. However, when the policy is being canceled or not renewed for the reason set forth in subdivision 2 of subsection D of this section the effective date may be less than forty-five days but at least fifteen days from the date of mailing or delivery;

3. State the specific reason of the insurer for cancellation or refusal to renew and provide for the notification required by §§ 38.2-608, 38.2-609, and subsection B of § 38.2-610. However, those notification requirements shall not apply when the policy is being canceled or not renewed for the reason set forth in subdivision 2 of subsection D of this section;

4. Inform the insured of his right to request in writing within fifteen days of the receipt of the notice that the Commissioner review the action of the insurer; the notice of cancellation or refusal to renew shall contain the following statement:

IMPORTANT NOTICE

Within fifteen (15) days of receiving this notice, you or your attorney may request in writing that the Commissioner of Insurance review this action to determine whether this insurer has complied with Virginia laws in cancelling or non-renewing your policy. If this insurer has failed to comply with the cancellation or non-renewal laws, the Commissioner may require that your policy be reinstated. However, the Commissioner is prohibited from making underwriting judgments. If this insurer has complied with the cancellation or non-renewal laws, the Commissioner does not have the authority to overturn this action.

5. Inform the insured of the possible availability of other insurance which may be obtained through his agent, through another insurer, or through the Virginia Automobile Insurance Plan; and

6. If sent by mail, comply with the provisions of § 38.2-2208.

Nothing in this subsection prohibits any insurer or agent from including in the notice of cancellation or refusal to renew, any additional disclosure statements required by state or federal laws, or any additional information relating to the availability of other insurance.

F. Nothing in this section shall apply:

1. If the insurer or its agent acting on behalf of the insurer has manifested its willingness to renew by issuing or offering to issue a renewal policy, certificate, or other evidence of renewal, or has manifested its willingness to renew in writing to the

insured. The written manifestation shall include the name of a proposed insurer, the expiration date of the policy, the type of insurance coverage, and information regarding the estimated renewal premium. The insurer shall retain a copy of each written manifestation for a period of at least one year from the expiration date of any policy that is not renewed;

2. If the named insured, or his duly constituted attorney-in-fact, has notified in writing the insurer or its agent that he wishes the policy to be canceled or that he does not wish the policy to be renewed, or if, prior to the date of expiration, he fails to accept the offer of the insurer to renew the policy; or

3. To any motor vehicle insurance policy which has been in effect less than sixty days when the termination notice is mailed or delivered to the insured, unless it is a renewal policy.

G. There shall be no liability on the part of and no cause of action of any nature shall arise against the Commissioner or his subordinates; any insurer, its authorized representatives, its agents, or its employees; or any person furnishing to the insurer information as to reasons for cancellation or refusal to renew, for any statement made by any of them in complying with this section or for providing information pertaining to the cancellation or refusal to renew. For the purposes of this section, no insurer shall be required to furnish a notice of cancellation or refusal to renew to anyone other than the named insured, any person designated by the named insured, any other person to whom such notice is required to be given by the terms of the policy and the Commissioner.

H. Within fifteen days of receipt of the notice of cancellation or refusal to renew, any insured or his attorney shall be entitled to request in writing to the Commissioner that he review the action of the insurer in canceling or refusing to renew the policy of the insured. Upon receipt of the request, the Commissioner shall

promptly begin a review to determine whether the insurer's cancellation or refusal to renew complies with the requirements of this section and of § 38.2-2208 if the notice was sent by mail. The policy shall remain in full force and effect during the pendency of the review by the Commissioner except where the cancellation or refusal to renew is for the reason set forth in subdivision 2 of subsection D of this section, in which case the policy shall terminate as of the effective date stated in the notice. Where the Commissioner finds from the review that the cancellation or refusal to renew has not complied with the requirements of this section or of § 38.2-2208, he shall immediately notify the insurer, the insured and any other person to whom such notice was required to be given by the terms of the policy that the cancellation or refusal to renew is not effective. Nothing in this section authorizes the Commissioner to substitute his judgment as to underwriting for that of the insurer. Where the Commissioner finds in favor of the insured, the Commission in its discretion may award the insured reasonable attorneys' fees.

I. Each insurer shall maintain for at least one year, records of cancellation and refusal to renew and copies of every notice or statement referred to in subsection E of this section that it sends to any of its insureds.

J. The provisions of this section shall not apply to any insurer that limits the issuance of policies of motor vehicle liability insurance to one class or group of persons engaged in any one particular profession, trade, occupation, or business. Nothing in this section requires an insurer to renew a policy of motor vehicle insurance if the insured does not conform to the occupational or membership requirements of an insurer who limits its writings to an occupation or membership of an organization. No insurer is required to renew a policy if the insured becomes a nonresident of Virginia.

K. Notwithstanding any other provision of this section, a motor vehicle insurance policy with a policy period or term of five months or less may expire at its

expiration date when the insurer has manifested in writing its willingness to renew the policy for a period of at least thirty days and has mailed the written manifestation to the insured at least fifteen days before the expiration date of the policy. The written manifestation shall include the name of the proposed insurer, the expiration date of the policy, the type of insurance coverage, and the estimated renewal premium. The insurer shall retain a copy of the written manifestation for at least one year from the expiration date of any policy that is not renewed.

