

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 562, As Amended

BY BUSINESS COMMITTEE

AN ACT

RELATING TO INSURANCE; AMENDING SECTION 41-1842, IDAHO CODE, TO REVISE PROVISIONS REGARDING NOTICE OF CANCELLATION AND NONRENEWAL; AMENDING SECTION 41-2401, IDAHO CODE, TO REVISE PROVISIONS REGARDING CANCELLATION AND NONRENEWAL; AND PROVIDING AN EFFECTIVE DATE.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 41-1842, Idaho Code, be, and the same is hereby amended to read as follows:

41-1842. COMMERCIAL INSURANCE -- CANCELLATION -- NONRENEWAL. (1) Applicability. The provisions of this section apply only to:

- (a) Commercial property insurance policies;
- (b) Commercial liability insurance policies other than aviation and employer's liability insurance policies;
- (c) Commercial multiperil insurance policies.

The provisions of this section do not apply to: block cancellations or block nonrenewals as provided in section 41-1841, Idaho Code, reinsurance, excess and surplus lines insurance, residual market risks, worker's compensation insurance, multistate location risks, policies subject to retrospective rating plans, excess or umbrella policies and such other policies that are exempted by the director of the department of insurance.

(2) Definitions. For the purposes of this section:

(a) "Cancellation" means termination of a policy at a date other than its expiration date.

(b) "Expiration date" means the date upon which coverage under a policy ends. It also means, for a policy written for a term longer than one (1) year or with no fixed expiration date, each annual anniversary date of such policy.

(c) "Nonpayment of premium" means the failure or inability of the named insured to discharge any obligation in connection with the payment of premiums on a policy of insurance subject to this section, whether such payments are payable directly to the insurer or its agent or indirectly payable under a premium finance plan or extension of credit.

(d) "Nonrenewal" or "not to renew" means termination of a policy at its expiration date.

(e) "Renewal" or "to renew" means the issuance, or the offer so to issue, by an insurer of a policy succeeding a policy previously issued and delivered by the same insurer or an insurer within the same group of insurers, or the issuance of a certificate or notice extending the term of an existing policy for a specified period beyond its expiration date.

(3) Notice of cancellation.

(a) Permissible cancellations. If coverage under a policy has not been in effect for sixty (60) days and the policy is not a renewal, cancella-

1 tion of such policy shall be effected by mailing or delivering a written
2 notice to the first-named insured at the last known mailing address
3 shown on the policy at least thirty (30) days before the effective date
4 of the cancellation, provided however, if such cancellation is for the
5 reason stated in subsection (3) (a) (i) of this section, the time such
6 cancellation may be effective following notice shall be as provided in
7 subsection (3) (b) (i) of this section. A cancellation requested by the
8 insured shall be effective on the later of the date requested by the in-
9 sured or the date it is received by the insurer. After coverage has been
10 in effect for more than sixty (60) days or after the effective date of a
11 renewal policy, whichever is earlier, no insurer shall cancel a policy
12 unless the cancellation is based on at least one (1) of the following
13 reasons:

14 (i) Nonpayment of premium.

15 (ii) Fraud or material misrepresentation made by or with the
16 knowledge of the named insured in obtaining the policy, continuing
17 the policy, or in presenting a claim under the policy.

18 (iii) Activities or omissions on the part of the named insured
19 which increase any hazard insured against, including a failure to
20 comply with loss control recommendations.

21 (iv) Change in the risk which materially increases the risk of
22 loss after insurance coverage has been issued or renewed includ-
23 ing, but not limited to, an increase in exposure to regulation,
24 legislation or court decision.

25 (v) Loss or decrease of the insurer's reinsurance covering all or
26 part of the risk or exposure by the policy.

27 (vi) Determination by the director that the continuation of the
28 policy would jeopardize an insurer's solvency or would place the
29 insurer in violation of the insurance laws of this state or any
30 other state.

31 (vii) Violation or breach by the insured of any policy terms or
32 conditions other than nonpayment of premium.

33 (b) Notification of cancellation.

34 (i) A notice of cancellation of insurance coverage by an in-
35 surer shall be in writing and shall be mailed or delivered to the
36 first-named insured at the last known mailing address as shown
37 on the policy. Notices of cancellation based on subsections
38 (3) (a) (ii) through (a) (vii) of this section shall be mailed or
39 delivered at least ~~thirty (30)~~ sixty (60) days prior to the ef-
40 fective date of the cancellation. Notices of cancellation for
41 the reason stated in subsection (3) (a) (i) of this section without
42 regard to when such cancellation shall be effected shall be mailed
43 or delivered at least ten (10) days prior to the effective date of
44 cancellation. If delivered via United States mail, the ten (10)
45 day notification period shall begin to run five (5) days following
46 the date of postmark. The notice shall state the effective date of
47 the cancellation.

48 (ii) The insurer shall provide the first-named insured with a
49 written statement setting forth the reason(s) for the cancella-
50 tion if: (1) the insured requests such a statement in writing;

1 and (2) the named insured agrees in writing to hold the insurer
2 harmless from liability for any communication giving notice of
3 or specifying the reasons for a cancellation or for any statement
4 made in connection with an attempt to discover or verify the ex-
5 istence of conditions which would be a reason for a cancellation
6 under this section.

7 (4) Notice of nonrenewal.

8 (a) An insurer may decline to renew a policy if the insurer delivers or
9 mails to the first-named insured, at the last known mailing address,
10 written notice that the insurer will not renew the policy. Such no-
11 tice shall be mailed or delivered at least ~~forty-five (45)~~ sixty (60)
12 days before the expiration date. If the notice is mailed less than
13 ~~forty-five (45)~~ sixty (60) days before expiration, coverage shall re-
14 main in effect until ~~forty-five (45)~~ sixty (60) days after notice is
15 mailed or delivered. Earned premium for any period of coverage that
16 extends beyond the expiration date shall be considered pro rata based
17 upon the previous year's rate. For purposes of this section, the trans-
18 fer of a policyholder between companies within the same insurance group
19 is not a nonrenewal or a refusal to renew. In addition, changes in de-
20 ductibles, changes in premium, and changes in the amount of insurance or
21 reductions in policy limits or coverage shall not be deemed to be nonre-
22 newals or refusals to renew. Notice of nonrenewal is not required if:

23 (i) The insurer or a company within the same insurance group has
24 offered to issue a renewal policy; or

25 (ii) Where the named insured has obtained replacement coverage or
26 has agreed in writing to obtain replacement coverage.

27 (b) If an insurer provides the notice described in subsection (4) of
28 this section and thereafter the insurer extends the policy for ninety
29 (90) days or less, an additional notice of nonrenewal is not required
30 with respect to the extension.

31 (5) Notice of premium or coverage changes. An insurer shall mail or de-
32 liver to the named insured, at the last known mailing address, written no-
33 tice of a total premium increase greater than ten percent (10%) which is the
34 result of a comparable increase in premium rates, changes in deductibles,
35 reductions in limits, or reductions in coverages at least thirty (30) days
36 prior to the expiration date of the policy. If the insurer fails to provide
37 such thirty (30) day notice, the coverage provided to the named insured shall
38 remain in effect until thirty (30) days after such notice is given or until
39 the effective date of replacement coverage obtained by the named insured,
40 whichever first occurs. For the purposes of this section, notice is consid-
41 ered given thirty (30) days following date of mailing or delivery of the no-
42 tice to the named insured. If the insured elects not to renew, any earned
43 premium for the period of extension of the terminated policy shall be calcu-
44 lated pro rata at the lower of the current or previous year's rate. If the
45 insured accepts the renewal, the premium increase, if any, and other changes
46 shall be effective on and after the first day of the renewal term.

47 (6) Proof of notice. Proof of mailing of notice of cancellation, or
48 of nonrenewal or of premium or coverage changes, to the named insured at the
49 last known mailing address showing on the policy, shall be sufficient proof
50 of notice.

1 (7) Application, effective date and termination. The provisions of
2 this section shall apply only to policies with coverage effective dates af-
3 ter the effective date of this section.

4 (8) Rules. The director may promulgate rules to implement the pro-
5 visions of this section. Every rule promulgated within the authority
6 conferred by this act shall be of temporary effect and shall become permanent
7 only by enactment by statute at the regular session of the legislature first
8 following adoption of the rule. Rules not approved in the above manner shall
9 be rejected, null, void and of no force and effect on July 1, following sub-
10 mission of the rules to the legislature.

11 SECTION 2. That Section 41-2401, Idaho Code, be, and the same is hereby
12 amended to read as follows:

13 41-2401. STANDARD FIRE POLICY. (1) No fire insurer shall issue any
14 fire insurance policy covering on property or interest therein in this
15 state, other than on the form known as the New York standard as revised in
16 1943, except as follows:

17 (a) An insurer may print on or in its policy its name, location, date
18 of incorporation, plan of operation, whether stock, mutual, reciprocal
19 or organized under special charter provisions, and if mutual or recip-
20 rocal whether on cash premium or assessment plan; and if it be a stock
21 company, the amount of its paid up capital stock, the names of its offi-
22 cers and agents, the number and date of the policy, and, if it is issued
23 by an agent, the words, "this policy shall not be valid until counter-
24 signed by the duly authorized agent of the company at"; and, if a
25 mutual or reciprocal insurer, the policy must state the contingent lia-
26 bility, if any, of its policyholders, members, or subscribers for pay-
27 ment of losses and expenses not provided for by its cash funds.

28 (b) An insurer may print or use in its policies printed forms of de-
29 scription and specifications of the property insured.

30 (c) An insurer insuring against damage by lightning may print in the
31 clause enumerating the perils insured against the additional words,
32 "also any damage by lightning whether fire ensues or not," and in the
33 clause providing for an apportionment of loss in case of other insurance
34 the words, "whether by fire, lightning or both."

35 (d) A domestic insurer may print in its policies any provisions which it
36 is authorized or required by the law to insert therein, and any foreign
37 insurer may, with the approval of the director, so print any provision
38 required by its charter or deed of settlement, or by the laws of its own
39 state or country, not contrary to the laws of this state; but the direc-
40 tor shall require any provision which, in his opinion modifies the con-
41 tract of insurance in such a way as to affect the question of loss, to
42 be appended to the policy by an endorsement or rider as hereinafter pro-
43 vided.

44 (e) The blanks in the standard form may be completed in print or in writ-
45 ing.

46 (f) An insurer may print upon policies issued in compliance with the
47 preceding provisions of this section the words, "Idaho standard pol-
48 icy."

1 (g) An insurer may write upon the margin or across the face of the pol-
2 icy, or write or print in type not smaller than nonpareil upon a slip,
3 slips, rider or riders to be attached thereto, provisions adding to or
4 relating to those contained in the standard form; and all such slips,
5 riders, endorsements and provisions must be signed by the officers or
6 agents of the insurer so using them.

7 (h) If the policy be made by a mutual, reciprocal or other insurer hav-
8 ing special regulations lawfully applicable to its organization, mem-
9 bership, policies or contracts of insurance such regulations shall ap-
10 ply to and form a part of the policy as the same may be written or printed
11 upon, attached or appended thereto.

12 (i) Every policy shall have legibly inscribed upon its face and filing
13 back suitable words to designate whether the insurer making such insur-
14 ance be a stock, mutual or reciprocal insurer, provided, that any in-
15 surer organized under special charter provisions may so indicate upon
16 its policy and may add a statement of the plan under which it operates in
17 this state.

18 (j) Every fire policy shall contain language that provides for a ~~thirty~~
19 ~~(30)~~ sixty (60) day written notice to the insured prior to cancellation
20 of the policy, accompanied by the reason for the cancellation, provided
21 however, that where cancellation is for the nonpayment of premium, at
22 least ten (10) days' notice of such cancellation, accompanied by the
23 reason for the cancellation, shall be given. If delivered via United
24 States mail, such ten (10) day notification period shall begin to run
25 five (5) days following the date of postmark. Proof of mailing of no-
26 tice of cancellation, ~~or of intention not to renew,~~ or of reasons for
27 cancellation ~~or nonrenewal~~ to the named insured at his address shall be
28 sufficient proof of notice.

29 (k) Every fire policy shall contain language that provides for a sixty
30 (60) day written notice to the insured prior to nonrenewal of the policy
31 accompanied by the reason for the nonrenewal. If the notice is mailed
32 less than sixty (60) days before expiration, coverage shall remain in
33 effect until sixty (60) days after notice is mailed or delivered. Proof
34 of mailing of notice of intention not to renew to the named insured at
35 his address shall be sufficient proof of notice.

36 ~~(*)~~ (1) Every fire policy shall provide that it becomes effective at
37 12:01 a.m. of the standard time of the place where the property covered
38 by the insurance is located, on the effective date of the policy.

39 (2) An insurer issuing the standard fire policy is authorized to affix
40 thereto or include therein a written statement that the policy does not cover
41 loss or damage caused by nuclear reaction, nuclear radiation or radioactive
42 contamination, all whether directly or indirectly resulting from an insured
43 peril under the policy; but nothing herein contained shall be construed to
44 prohibit the attachment to any such policy of an endorsement or endorsements
45 specifically assuming coverage for loss or damage caused by nuclear reac-
46 tion, nuclear radiation or radioactive contamination.

47 (3) The standard fire policy is not mandatory for vehicle insurance, or
48 for marine insurance, or inland marine insurance as the same is defined pur-
49 suant to section 41-1401(2), Idaho Code, or for insurance on growing crops.

1 (4) Any policy or contract otherwise subject to the provisions of sub-
2 section (1) hereof, which includes either on an unspecified basis as to the
3 coverage or for a single premium coverage against the peril of fire and sub-
4 stantial coverage against other perils need not comply with the provisions
5 of subsection (1) hereof, provided:

6 (a) Such policy or contract shall afford coverage, with respect to the
7 peril of fire, not less than the coverage afforded by such standard fire
8 policy,

9 (b) The provisions in relation to mortgagee interests and obligations
10 in such standard fire policy shall be incorporated therein without
11 change,

12 (c) Such policy or contract is complete as to all of its terms with-
13 out reference to the standard form of fire insurance policy or any other
14 policy, and

15 (d) The director is satisfied that such policy or contract complies
16 with the provisions hereof.

17 (5) With respect to a commercial insurance policy, such standard fire
18 insurance policy may exclude coverage for loss by fire or other perils in-
19 sured against if the fire or other perils are caused directly or indirectly
20 by terrorism. As used in this section, the term "terrorism" means a violent
21 act or an act that:

22 (a) Is dangerous to human life, property or infrastructure;

23 (b) Results in damage within the United States, or outside of the United
24 States in the case of an air carrier or vessel or the premises of a United
25 States mission; and

26 (c) Is committed by an individual or individuals, as part of an effort
27 to coerce the civilian population of the United States or to influence
28 the policy or affect the conduct of the United States government by co-
29 ercion.

30 SECTION 3. This act shall be in full force and effect on and after Jan-
31 uary 1, 2027.