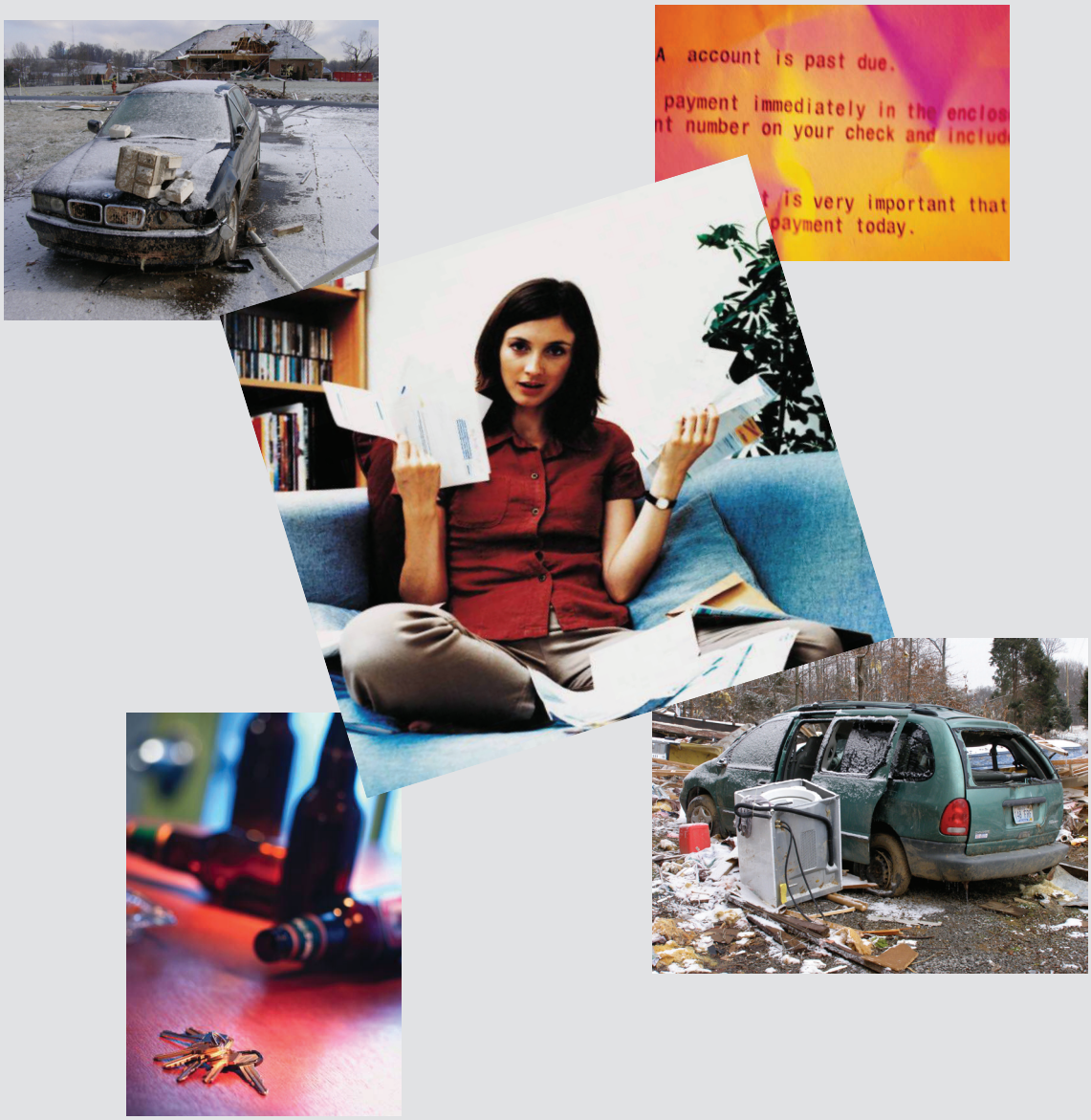
HOW CAN THEY DO THAT?

THE FACTS ABOUT NONRENEWAL OF PERSONAL AUTO INSURANCE



What are the facts about nonrenewal of personal auto insurance?

Some background information:

When you purchase auto insurance, a company agrees to provide coverage on your vehicle for a specific length of time in exchange for an agreed upon premium amount. The length of time that the insurance will be in effect is called the policy period. This policy period can range from a minimum of three months to a maximum of one year. An insurance company renews your coverage when it lets you know that it is extending the term of your auto policy beyond its current policy period. That notice can simply be the bill you receive for the amount of the premium due for an additional policy period.

Remember that cancellation and nonrenewal are two different actions:

Please be aware of the difference between nonrenewal and cancellation. **Cancellation** refers to termination of your coverage that can take place at any time during the policy period and is not limited to action at the renewal date only. By law, an auto policy can be canceled only for specific reasons:

1. Nonpayment of premium
2. The driver's license or motor vehicle registration of you or the person who is the named insured on the policy has been suspended or revoked during the policy period, or within 180 days before the starting date of the policy. This also applies to any driver who lives in your home or regularly drives the insured vehicle.
3. The insurance company becomes aware of fraud or misrepresentation on your part to obtain or continue coverage, or in filing a claim under the policy.
4. The company finds willful acts or omissions by you or the named insured on the policy that increases any covered hazard. This includes acts such as putting false information on your policy application or deliberately failing to reveal prior convictions or violations.
5. The Department of Insurance determines that keeping the policy in force would cause the insurance company to be in violation of Kentucky statutes or regulations.

Keep in mind that although the final result – termination of your auto coverage – is the same, the requirements for cancellation and nonrenewal are different.

Remember -
An insurance company's decision to cancel or nonrenew your personal auto coverage can be based not only on your own driving record, but also on the driving records of anyone who lives in your home or who regularly drives the insured vehicle.

What nonrenewal means:

Nonrenewal means that your insurance company informs you at the time of your policy renewal that it no longer plans to offer you coverage.

What the insurance company is required to do:

- ✓ The company must notify you that it does not intend to renew your auto insurance at least 75 days before the date your policy is due for renewal.
- ✓ The notice must include the reason for the nonrenewal.
- ✓ The insurer must let you know that you might be eligible for coverage through the Kentucky Automobile Insurance Plan.
- ✓ The company must inform you that you may, within seven days, request in writing that the Commissioner of the Department of Insurance determine if there is adequate reason to refuse to renew the policy. This request should be made to the Department of Insurance.

In the case of policy cancellation rather than nonrenewal, the advance notice required by the insurance company is 20 days before the effective date of cancellation. If the cancellation is for nonpayment of premium, at least 14 days notice must be given. A cancellation notice must also include the reason for ending your coverage.

What the insurance company is not allowed to do:

- ✓ The insurer cannot refuse to renew a policy only because the insured has a disability, as long as the disability does not impair the person's mechanically assisted driving ability.
- ✓ A policy cannot be nonrenewed on the basis of race, religion, nationality, ethnic group, age, sex, or marital status.
- ✓ The company cannot refuse to renew your coverage only because you previously had auto insurance from a carrier providing nonstandard coverage.
- ✓ The nonrenewal cannot be based only on the fact that another insurer previously declined to insure you or terminated your coverage.
- ✓ An insurance company cannot refuse to renew an auto insurance policy based only on credit history or lack of credit history. However, in the state of Kentucky, credit scoring currently is not prohibited for use in underwriting or rating.

Nonrenewal for nonpayment of premium:

If an insurance company notifies you that it is willing to renew your auto policy and you do not pay the premium by the due date, your coverage will end without further notice on that due date.

The company's responsibility is to send a bill or other notice of its intention to renew the coverage. This notice must be sent to the last known address of the person named as the primary insured on the policy at least 30 days before the end of the current policy period. The amount of the renewal premium and the date the premium is due must be clearly stated. If the policy terminates because your renewal premium is not received by the due date, the insurer then must send a notice within 15 days letting you know that the policy was not renewed and giving the date on which coverage ended.

The policyholder's responsibility is to be sure that the insurance company is notified of any change of address so that bills and other notices can be delivered in a reasonable time period. The policyholder must then abide by the terms of the renewal by paying the premium charge by the due date.

What can happen if you drive without insurance:

If the Department of Vehicle Regulation of the Transportation Cabinet learns that you are driving without insurance, they will revoke the registration of your vehicle and suspend your license plate. If a law enforcement officer stops you, the courts can impose a fine ranging from $500 - $1000, a sentence of 90 days in jail or both. For each additional violation within a five-year period, the courts can revoke your license for one year, assess a fine of at least $1,000 and sentence you to up to six months in jail.

More about the Kentucky Automobile Insurance Plan:

If you are not able to find another source of insurance in the regular market because of your driving record or claims experience, you may apply for coverage with the Kentucky Automobile Insurance Plan (KAIP) through any agent who sells auto insurance. In general, the Kentucky Automobile Insurance Plan operates as an insurer of last resort. It is important that you try to shop around for insurance before applying for KAIP coverage. If you find it is necessary to go with the plan, you can cancel your coverage at any time if you secure coverage for your vehicle at a lower premium. KAIP will prorate your costs, and any money due to you will be returned. For more information, contact any licensed property and casualty agent in your area or call KAIP at 502-327-8909.

How to request a review by the Department of Insurance:

Your request for a review of your insurance company's refusal to renew your auto coverage must be sent to the Department in writing or electronically. *Be sure to include a copy of the nonrenewal notice you received.* No verbal requests can be accepted. You can:

- ✓ File your request through the Department of Insurance Web site, http://doi.ppr.ky.gov/kentucky/ by submitting an online complaint.
- ✓ Fax (502-564-6090) a completed complaint form, available under "Free Publications," or a letter asking that the company's decision not to renew your policy be reviewed.
- ✓ Mail or e-mail the form or letter. (See mailing address on front cover.) To e-mail, go to the Department's Web site, click on Consumer Protection and Education Division and scroll down to E-mail: Consumer Protection.

Within 14 days of receiving the written request, the findings will be sent to both you and the insurance company. Both parties also will be notified of their right to ask for a hearing. The person asking for the hearing must confirm in writing that he or she will be attending the hearing. The confirmation must be given within a specific three-day time frame - no more than five days or less than two days (48 hours) - before the hearing date. If this confirmation is not received, the hearing will be canceled.

The full text of the statute covering cancellation and nonrenewal, KRS 304.20-040, is available through the Department's Web site. If you have questions or need more information you may contact the Consumer Protection and Education Division of the Kentucky Department of Insurance at 800-595-6053.

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Printed with state funds
on recycled paper

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June 2008