

1 AN ACT relating to insurance policies.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 304.20-040 is amended to read as follows:

4 (1) As used in this section:

5 (a) **"Agent" includes but is not limited to a surplus lines broker;**

6 (b) **"Alteration of terms" means a change, at the time of renewal, made by the**  
7 **insurer that results in a:**

8 **1. Removal of coverage;**

9 **2. Diminution in the scope or amount of coverage, including the addition**  
10 **of an exclusion to coverage; or**

11 **3. Change in deductible;**

12 (c) **"Automobile liability insurance policy" includes only coverage for bodily**  
13 **injury and property damage liability, basic reparations benefits, and the**  
14 **provisions therein, if any, relating to medical payments, uninsured**  
15 **motorists coverage, underinsured motorists coverage, and automobile**  
16 **physical damage coverage;**

17 (d) **"Declination" or "decline" means either the refusal of an insurer to issue**  
18 **an automobile liability insurance policy upon receipt of a written**  
19 **nonbinding application or written request for coverage from its agent or an**  
20 **applicant or refusal of an agent to transmit to an insurer a written**  
21 **nonbinding application or written request for coverage received from an**  
22 **applicant. The offering of insurance coverage with a company within an**  
23 **insurance group that is different from the company requested on the**  
24 **nonbinding application or written request for coverage, or the offering of**  
25 **insurance upon different terms than requested in the nonbinding**  
26 **application or written request for coverage, shall be considered to be a**  
27 **declination;**

1        (e) "Nonpayment of premium" means failure of the named insured to  
 2        discharge, when due, any of his or her obligations in connection with the  
 3        payment of premiums on a policy, or any installment of the premium,  
 4        whether the premium is payable directly to the insurer or its agent or  
 5        indirectly under any premium finance plan or extension of credit;

6        (f) "Policy" means an automobile liability insurance policy, delivered or issued  
 7        for delivery in this state, insuring a single individual or husband and wife  
 8        resident of the same household, as named insured, and under which the  
 9        insured vehicles~~[- therein]~~ designated in the policy are of the following types  
 10       only:

- 11       1. A motor vehicle of the private passenger or station wagon type that is  
 12       not used as a public or livery conveyance for passengers, nor rented to  
 13       others; and
- 14       2. Any other four-wheel motor vehicle with a load capacity of one  
 15       thousand five hundred (1,500) pounds or less which is not used in the  
 16       occupation, profession, or business of the insured except~~[- provided,~~  
 17       ~~however,]~~ that this section shall not apply:

- 18       a. To any policy issued under an automobile assigned risk plan; or
- 19       b. To any policy covering garage, automobile sales agency, repair  
 20       shop, service station, or public parking place operation hazards;

21       and

22       ~~[(b) "Automobile liability insurance policy" includes only coverage for bodily~~  
 23       ~~injury and property damage liability, basic reparations benefits, and the~~  
 24       ~~provisions therein, if any, relating to medical payments, uninsured motorists~~  
 25       ~~coverage, underinsured motorists coverage, and automobile physical damage~~  
 26       ~~coverage;]~~

27       ~~(g)~~(e) "Renewal" or "to renew" means the issuance and delivery by an insurer

1 of a policy replacing at the end of the policy period a policy previously issued  
 2 and delivered by the same insurer, or the issuance and delivery of a certificate  
 3 or notice extending the term of a policy beyond its policy period or term,  
 4 except:~~[- provided, however, -]~~

5 1. That any policy with a policy period or term of less than three (3)  
 6 months shall for the purpose of this section be considered as if written  
 7 for a policy period or term of three (3) months:~~[- Provided, further, -]~~

8 2. That any policy written for a term longer than one (1) year or any policy  
 9 with no fixed expiration date, shall for the purpose of this section, be  
 10 considered as if written for successive policy periods or terms of one (1)  
 11 year, and the policy may be terminated at the expiration of any annual  
 12 period upon giving seventy-five (75) days' notice of nonrenewal prior to  
 13 the anniversary date; and

14 3. *An alteration of terms shall not be considered a refusal to renew if the*  
 15 *insurer has manifested its willingness to renew pursuant to subsection*  
 16 *(8) of this section*

17 ~~{(d) "Nonpayment of premium" means failure of the named insured to discharge~~  
 18 ~~when due any of his or her obligations in connection with the payment of~~  
 19 ~~premiums on a policy, or any installment of the premium, whether the~~  
 20 ~~premium is payable directly to the insurer or its agent or indirectly under any~~  
 21 ~~premium finance plan or extension of credit;~~

22 ~~(e) "Declination" or "decline" means either the refusal of an insurer to issue an~~  
 23 ~~automobile liability insurance policy upon receipt of a written nonbinding~~  
 24 ~~application or written request for coverage from its agent or an applicant, or~~  
 25 ~~refusal of an agent to transmit to an insurer a written nonbinding application~~  
 26 ~~or written request for coverage received from an applicant. The offering of~~  
 27 ~~insurance coverage with a company within an insurance group that is different~~

1           ~~from the company requested on the nonbinding application or written request~~  
2           ~~for coverage, or the offering of insurance upon different terms than requested~~  
3           ~~in the nonbinding application or written request for coverage, shall be~~  
4           ~~considered to be a declination; and~~

5           ~~(f) "Agent" includes but is not limited to surplus lines broker].~~

- 6       (2)   (a)   A notice of cancellation of a policy shall be effective only if it is based on one  
7           (1) or more of the following reasons:
- 8           1.    Nonpayment of premium;
  - 9           2.    The driver's license or motor vehicle registration of the named insured or  
10           of any other operator who either resides in the same household or  
11           customarily operates an automobile insured under the policy has been  
12           under suspension or revocation during the policy period or, if the policy  
13           is a renewal, during its policy period or the one hundred eighty (180)  
14           days immediately preceding its effective date;
  - 15           3.    Discovery of fraud or material misrepresentation made by or with the  
16           knowledge of the named insured in obtaining the policy, continuing the  
17           policy, or in presenting a claim under the policy;
  - 18           4.    Discovery of willful acts or omissions on the part of the named insured  
19           that increase any hazard insured against; or
  - 20           5.    A determination by the commissioner that the continuation of the policy  
21           would place the insurer in violation of this chapter or the rules or  
22           administrative regulations of the commissioner.
- 23       (b)   This subsection shall not apply to any policy or coverage which has been in  
24           effect less than sixty (60) days at the time notice of cancellation is mailed or  
25           delivered by the insurer unless it is a renewal policy.
- 26       (c)   Modification of automobile physical damage coverage by the inclusion of a  
27           deductible not exceeding one hundred dollars (\$100) shall not be deemed a

1 cancellation of the coverage or of the policy.

2 (d) This subsection shall not apply to a nonrenewal.

3 (3) No notice of cancellation of a policy to which subsection (2) of this section applies  
4 shall be effective unless mailed or delivered by the insurer to the named insured at  
5 least twenty (20) days prior to the effective date of cancellation, ~~except; provided,~~  
6 ~~however,]~~ that where cancellation is for nonpayment of premium, at least fourteen  
7 (14) days' notice of cancellation accompanied by the reason for the  
8 cancellation~~therefor]~~ shall be given. This subsection shall not apply to renewals. A  
9 policy or coverage which has been in effect less than sixty (60) days at the time the  
10 notice of cancellation is mailed or delivered by the insurer is not limited to the  
11 reasons for cancellation set forth in subsection (2)(a) of this section unless it is a  
12 renewal policy. Notice of cancellation for a policy that has been in effect for less  
13 than sixty (60) days shall be mailed or delivered to the named insured at least  
14 fourteen (14) days in advance of the effective cancellation date.

15 (4) No insurer or agent shall decline, refuse to renew, or cancel a policy of automobile  
16 insurance solely because:

17 (a) Of the credit history, lack of credit history, or the following extraordinary life  
18 circumstances that directly influence the credit history of the applicant or  
19 insured:

- 20 1. Catastrophic event, as declared by the federal or state government;
- 21 2. Serious illness or injury, or serious illness or injury to an immediate  
22 family member;
- 23 3. Death of a spouse, child, or parent;
- 24 4. Divorce or involuntary interruption of legally owed alimony or support  
25 payments;
- 26 5. Identity theft;
- 27 6. Temporary loss of employment for a period of three (3) months or more,

- 1 if it results from involuntary termination;
- 2 7. Military deployment overseas; or
- 3 8. Other events, as determined by the insurer;
- 4 (b) The applicant or insured has previously obtained automobile coverage through
- 5 a residual market mechanism or from a carrier providing nonstandard
- 6 coverage;
- 7 (c) The applicant or insured has sustained one (1) or more losses that immediately
- 8 result from a natural cause without the intervention of any person and that
- 9 could not have been prevented by the exercise of prudence, diligence, and
- 10 care;
- 11 (d) Of the race, religion, nationality, ethnic group, age, sex, or marital status of
- 12 the applicant or named insured; or
- 13 (e) Another insurer previously declined to insure the applicant or terminated an
- 14 existing policy in which the applicant was the named insured.
- 15 (5) No insurer shall fail to renew a policy unless it shall mail or deliver to the named
- 16 insured, at the address shown in the policy, at least seventy-five (75) days' advance
- 17 notice of its intention not to renew. If notice is not provided, coverage shall be
- 18 deemed to be renewed for the ensuing policy period upon payment of the
- 19 appropriate payment under the same terms and conditions, until the named insured
- 20 has accepted replacement coverage with another insurer, or until the named insured
- 21 has agreed to the nonrenewal.
- 22 (6) The transfer of a policyholder between companies within the same insurance group
- 23 shall be considered a nonrenewal.
- 24 (7) Renewal of a policy shall not constitute a waiver or estoppel with respect to grounds
- 25 for cancellation which existed before the effective date of the renewal.
- 26 (8) If the insurer has manifested its willingness to renew by mailing or delivering a
- 27 renewal notice, notice of renewal with alteration of terms, bill, certificate, or

1 policy to the first-named insured at his or her last known address at least thirty (30)  
2 days before the end of the current policy period with the amount of the renewal  
3 premium charge and its due date clearly set forth in the mailing or  
4 delivery~~[therein]~~, then the policy shall expire and terminate without further notice to  
5 the insured on the due date, unless the renewal premium is received by the insurer  
6 or its authorized agent on or before that date. When any policy terminates pursuant  
7 to this subsection because the renewal premium was not received on or before the  
8 due date, the insurer shall, within fifteen (15) days, deliver or mail to the first-  
9 named insured at his or her last known address a notice that the policy was not  
10 renewed and the date on which the coverage under it ceased to exist.

11 (9) (a) Proof of mailing of renewal premium to the insurer or its agent, when  
12 authorized, on or before the due date, shall constitute a presumption of receipt  
13 pursuant to subsection (8) of this section.

14 (b) Proof of mailing of notice of cancellation or of intention not to renew or of  
15 reasons for cancellation or nonrenewal to the named insured at the address  
16 shown in the policy shall be sufficient proof of notice.

17 (10) No insurer shall impose or request an additional premium higher than its standard  
18 premium for automobile insurance, cancel or refuse to issue a policy, or refuse to  
19 renew a policy solely because the insured or the applicant is an individual with a  
20 disability, so long as the disability does not substantially impair the person's  
21 mechanically assisted driving ability.

22 (11) When an automobile liability insurance policy is canceled other than for  
23 nonpayment of premium, or in the event of failure to renew a policy of automobile  
24 liability insurance, the insurer shall notify the named insured of his or her possible  
25 eligibility for automobile liability insurance coverage through the Kentucky  
26 automobile assigned risk plan. The notice shall accompany or be included in the  
27 notice of cancellation or the notice of intent not to renew. The notice shall also

1 inform the insured that he or she may, within seven (7) days, request the  
2 commissioner in writing to determine whether there is sufficient reason to cancel or  
3 not to renew the policy. Upon receipt of a request from the insured, the  
4 commissioner may request additional information regarding the cancellation or  
5 nonrenewal of a policy from the insurer. An insurer shall respond to a request for  
6 information from the commissioner within seven (7) days from receipt of the  
7 request. Within fourteen (14) days of receiving a written request from the insured,  
8 the commissioner shall send his or her findings to the insurer and to the insured. If  
9 an insurer fails to respond to a request for additional information within seven (7)  
10 days from receipt of the request, the commissioner may make a finding in favor of  
11 the insured. When he or she sends findings, the commissioner shall notify both  
12 parties of their right to request a hearing under KRS 304.2-310(2)(b) and KRS  
13 Chapter 13B. The party requesting the hearing shall give the commissioner written  
14 confirmation of attendance at the hearing not more than five (5) days before, nor  
15 less than forty-eight (48) hours before, the scheduled hearing. If the requesting party  
16 fails to give the required written confirmation, the commissioner shall cancel the  
17 hearing.

18 (12) The reason for nonrenewal or cancellation shall accompany or be included in the  
19 notice of nonrenewal or cancellation.

20 (13) Except where the maximum limits of coverage have been purchased, every notice of  
21 first renewal shall include a provision or be accompanied by a notice stating in  
22 substance that added uninsured motorists, underinsured motorists, and personal  
23 injury protection coverages may be purchased by the insured.

24 (14) There shall be no liability on the part of and no cause of action of any nature shall  
25 arise against the commissioner or against any insurer, its authorized representative,  
26 its agents, its employees, or any firm, person, or corporation furnishing to the  
27 insurer information as to reasons for cancellation or nonrenewal, for any statement



1 made by any of them in any written notice of cancellation or nonrenewal, or in any  
 2 other communication, oral or written, specifying the reasons for cancellation or  
 3 nonrenewal, or the providing of information pertaining thereto, or for statements  
 4 made or evidence submitted at any hearings conducted in connection therewith.

5 (15) (a) If the commissioner determines that an insurer has violated any provision of  
 6 this section, the commissioner may require the insurer to:

- 7 1. Accept the application or written request for insurance coverage at a rate  
 8 and on the same terms and conditions as are available to other risks  
 9 similarly situated;
- 10 2. Reinstate insurance coverage to the end of the policy period; or
- 11 3. Continue insurance coverage at a rate and on the same terms and  
 12 conditions as are available to other risks similarly situated.

13 (b) As to any person who has violated any provisions of this section, the  
 14 commissioner may:

- 15 1. Issue a cease and desist order to restrain the person from engaging in  
 16 practices that violate this section;
- 17 2. Suspend or revoke the person's license or certificate of authority;
- 18 3. Assess a civil penalty against the person in accordance with KRS  
 19 304.99-020; or
- 20 4. Take any combination of the actions specified in this paragraph.

21 ➔Section 2. KRS 304.20-310 is amended to read as follows:

22 As used in KRS 304.20-320 to 304.20-350:

23 (1) **"Agent" includes but is not limited to a surplus lines broker;**

24 (2) **"Alteration of terms" means a change, at the time of renewal, made by the**  
 25 **insurer that results in a:**

26 **(a) Removal of coverage;**

27 **(b) Diminution in the scope or amount of coverage, including the addition of**

1 an exclusion to coverage; or

2 (c) Change in deductible;

3 (3) "Declination" means either the refusal of an insurer to issue a property or  
4 casualty insurance policy upon receipt of a written nonbinding application or  
5 written request for coverage from its agent or an applicant or refusal of an agent  
6 to transmit to an insurer a written nonbinding application or written request for  
7 coverage received from an applicant. For the purposes of KRS 304.20-320 to  
8 304.20-350, the offering of insurance coverage with a company within an  
9 insurance group which is different from the company requested on the  
10 nonbinding application or written request for coverage, or the offering of  
11 insurance upon different terms than requested in the nonbinding application or  
12 written request for coverage, shall be considered to be a declination;

13 (4) (a) "Nonpayment of premium" means the failure of the named insured to  
14 discharge any obligation in connection with the payment of premiums on  
15 property or casualty insurance subject to KRS 304.20-320 to 304.20-350,  
16 whether the payments are directly payable to the insurer or its agent or  
17 indirectly payable under a premium finance plan or extension of credit.

18 (b) "Nonpayment of premium" shall include failure to pay dues or fees where  
19 payment of such dues or fees is a prerequisite to obtaining or continuing  
20 property or casualty insurance coverage;

21 (5) "Renewal" or "to renew" means the issuance and delivery by an insurer at the end of  
22 a policy period or term of a policy superseding a policy previously issued and  
23 delivered by the same insurer, or the issuance and delivery of a certificate or notice  
24 extending the term of an existing policy beyond its policy period or term. For the  
25 purpose of KRS 304.20-320 to 304.20-350, any policy period or term of less than  
26 six (6) months shall be considered to be a policy period or term of six (6) months,  
27 and any policy period or term of more than one (1) year or any policy with no fixed

1 expiration date shall be considered a policy period or term of one (1) year; and

2 ~~[(2) "Nonpayment of premium" means the failure of the named insured to discharge any~~  
3 ~~obligation in connection with the payment of premiums on property or casualty~~  
4 ~~insurance subject to KRS 304.20-320 to 304.20-350, whether such payments are~~  
5 ~~directly payable to the insurer or its agent or indirectly payable under a premium~~  
6 ~~finance plan or extension of credit. "Nonpayment of premium" shall include failure~~  
7 ~~to pay dues or fees where payment of such dues or fees is a prerequisite to obtaining~~  
8 ~~or continuing property or casualty insurance coverage;]~~

9 ~~(6)~~(3) "Termination" means either a cancellation or nonrenewal of property or  
10 casualty insurance coverage in whole or in part. A cancellation occurs during the  
11 policy period or term as set forth in subsection ~~(5)~~(1) of this section. A  
12 nonrenewal occurs at the end of the policy period or term as set forth in subsection  
13 ~~(5)~~(1) of this section. For the purpose of KRS 304.20-320 to 304.20-350, the  
14 transfer of a policyholder between companies within the same insurance group shall  
15 be considered a termination, but requiring a reasonable deductible, reasonable  
16 changes in the amount of insurance, or reasonable reductions in policy limits or  
17 coverage shall not be considered a termination if such requirements are directly  
18 related to an increased hazard involved and are made on the renewal date for the  
19 policy;

20 ~~(4) "Declination" means either the refusal of an insurer to issue a property or casualty~~  
21 ~~insurance policy upon receipt of a written nonbinding application or written request~~  
22 ~~for coverage from its agent or an applicant, or refusal of an agent to transmit to an~~  
23 ~~insurer a written nonbinding application or written request for coverage received~~  
24 ~~from an applicant. For the purposes of KRS 304.20-320 to 304.20-350, the offering~~  
25 ~~of insurance coverage with a company within an insurance group which is different~~  
26 ~~from the company requested on the nonbinding application or written request for~~  
27 ~~coverage, or the offering of insurance upon different terms than requested in the~~

1       ~~nonbinding application or written request for coverage, shall be considered to be a~~  
2       ~~declination; and~~

3       ~~(5) "Agent" includes, but is not limited to, surplus lines broker].~~

4       ➔Section 3. KRS 304.20-320 is amended to read as follows:

5       (1) Declinations. An applicant may request in writing an explanation of a declination.  
6       The insurer shall provide a prompt written response to such inquiries.

7       (2) Cancellations.

8       (a) A notice of cancellation of insurance subject to KRS 304.20-300 to 304.20-  
9       350 by an insurer shall be in writing, shall be delivered to the named insured  
10       or mailed to the named insured at the last known address of the named  
11       insured, shall state the effective date of the cancellation, and shall be  
12       accompanied by a written explanation of the specific reason or reasons for the  
13       cancellation.

14       (b) The notice of cancellation referred to in paragraph (a) of this subsection shall  
15       be mailed or delivered by the insurer to the named insured at least fourteen  
16       (14) days prior to the effective date of the cancellation if the cancellation is for  
17       nonpayment of premium or occurs within sixty (60) days of the date of  
18       issuance of the policy. Such notice of cancellation shall be mailed or delivered  
19       by the insurer to the named insured at least seventy-five (75) days prior to the  
20       effective date of the cancellation if the policy has been in effect more than  
21       sixty (60) days.

22       (c) Proof of mailing of notice of cancellation or of reasons for cancellation to the  
23       named insured at the address shown in the policy shall be sufficient proof of  
24       notice.

25       (3) Nonrenewals.

26       (a) No insurer shall refuse to renew a property or casualty insurance policy  
27       subject to KRS 304.20-300 to 304.20-350 unless at least seventy-five (75)

1 days before the end of the policy period as described in KRS 304.20-  
 2 310~~(5)(4)~~, the insurer shall mail or deliver to the named insured, at the last  
 3 known address of the named insured, written notice of the insurer's intention  
 4 not to renew the policy upon expiration of the current policy period with a  
 5 written explanation of the specific reason or reasons for the nonrenewal. **An**  
 6 **alteration of terms shall not be considered a refusal to renew if the insurer**  
 7 **has manifested its willingness to renew pursuant to paragraph (c) of this**  
 8 **subsection.**

9 (b) If notice is not provided pursuant to **paragraph**~~paragraphs~~ (a) ~~and (b)~~ of  
 10 this subsection, coverage shall be deemed to be renewed for the ensuing  
 11 policy period upon payment of the appropriate premium under the same terms  
 12 and conditions, and subject to the provisions of KRS 304.20-330, until the  
 13 named insured has accepted replacement coverage with another insurer~~;~~ or  
 14 until the named insured has agreed to the nonrenewal.

15 (c) If the insurer has manifested its willingness to renew by mailing or delivering~~f~~  
 16 ~~o~~ a renewal notice, **notice of renewal with alteration of terms,** bill,  
 17 certificate, or policy to the first named insured at his last known address at  
 18 least thirty (30) days before the end of the current policy period with the  
 19 amount of the renewal premium charge and its due date clearly set forth **in the**  
 20 **mailing or delivery**~~therein~~, then the policy shall expire and terminate  
 21 without further notice to the insured on the due date unless the renewal  
 22 premium is received by the insurer or its authorized agent on or before that  
 23 date. When any policy terminates pursuant to this subsection because the  
 24 renewal premium was not received on or before the due date, the insurer shall,  
 25 within fifteen (15) days, deliver or mail to the first named insured at his last  
 26 known address a notice that the policy was not renewed and the date on which  
 27 the coverage under it ceased to exist.

1 (d) Proof of mailing of renewal premium to the insurer or its agent, when  
2 authorized, on or before the due date shall constitute a presumption of receipt  
3 pursuant to paragraph (c) of this subsection.

4 (e) Proof of mailing of notice of intention not to renew or of reasons for  
5 nonrenewal to the named insured at the address shown in the policy shall be  
6 sufficient proof of notice.

7 (4) No insurer shall increase the premium for a property or casualty insurance policy  
8 subject to KRS 304.20-300 to 304.20-350 more than twenty-five percent (25%) of  
9 the premium for the preceding policy term for like coverage and like risks unless at  
10 least seventy-five (75) days before the end of the policy period as described in KRS  
11 304.20-310~~(5)~~~~(1)~~, the insurer shall mail or deliver to the named insured, at the last  
12 known address of the named insured, a notice for the renewal premium amount and  
13 the insurer shall mail or deliver to its agent, if any, a duplicate notice of the  
14 premium amount. In order to comply with this requirement, the insurer may extend  
15 the period of coverage of the current policy at the expiring premium.