

**PROGRAM DIVISION
BULLETIN**

2007-23

July 18, 2007

Company Specific Cancellation Nonrenewal Endorsements

In a prior bulletin, 2007-04, sent in February 2007, we gave you copies of our filed Cancellation/Non-Renewal endorsements to attach to all admitted policies including ISO policies. We have since received clarification from our legal department that these endorsements should not be attached to ISO policies, only to our independently filed AIG programs.

Cover-All had not completed programming the AIG forms to attach automatically instead of the ISO forms, therefore, they are still attaching ISO forms to ISO policies and nothing will change.

However, for those of you with proprietary systems, please have the ISO endorsements continue to attach to ISO policies. AIG filed programs should continue to attach AIG filed cancellation endorsements.

Also, attached please find two updated AIG Cancellation Notices for Nevada and Pennsylvania. Please replace the prior versions with these new ones.

We apologize for the confusion and inconvenience. Should you have any questions concerning this please contact your Program Manager.

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AIG

PROGRAM DIVISION

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PENNSYLVANIA AMENDATORY ENDORSEMENT

This endorsement, effective _____ forms a part of _____

Policy no. _____ issued to _____

By: _____

Wherever used in this endorsement: 1) "Insurer" means the insurance company which issued this policy; and 2) "named Insured" and "Insured" mean the Named Corporation, Named Entity, Named Organization, Named Sponsor, Named Insured, or Insured stated in the declarations page.

The following is added and supercedes any provision to the contrary:

Cancellation/Nonrenewal

Canceling a policy midterm is prohibited except if:

- 1) A condition material to insurability has changed substantially;
- 2) Loss of reinsurance or a substantial decrease in reinsurance has occurred;
- 3) Material misrepresentation by the Insured;
- 4) Policy was obtained through fraud;
- 5) The Insured has failed to pay a premium when due;
- 6) The Insured has requested cancellation;
- 7) Material failure to comply with terms;
- 8) Other reasons that the commissioner may approve.

Notice Requirements for Midterm Cancellation and Nonrenewal

Notice shall be mailed by registered or first class mail by the Insurer directly to the named Insured. Written notice will be forwarded directly to the named Insured at least sixty (60) days in advance of the termination date unless one or more of the following exists:

- 1) The Insured has made a material misrepresentation which affects the insurability of the risk, in which case the prescribed written notice of cancellation shall be forwarded directly to the named Insured at least fifteen (15) days in advance of the effective date of termination.

- 2) The Insured has failed to pay a premium when due, whether the premium is payable directly to the Insurer or its agents or indirectly under a premium finance plan or extension of credit, in which case the prescribed written notice of cancellation shall be forwarded directly to the named insured at least fifteen (15) days in advance of the effective date of termination.
- 3) The policy was cancelled by the named Insured, in which case written notice of cancellation shall not be required and coverage shall be terminated on the date requested by the Insured. Nothing in these three sections shall restrict the Insurer's right to rescind an insurance policy ab initio upon discovery that the policy was obtained through fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the Insurer.

The notice shall be clearly labeled "Notice of Cancellation" or "Notice of Nonrenewal". A midterm cancellation or nonrenewal notice shall state the specific reasons for the cancellation or nonrenewal. The reasons shall identify the condition or loss experience which caused the midterm cancellation or nonrenewal. The notice shall provide sufficient information or data for the Insured to correct the deficiency.

A midterm cancellation or nonrenewal notice shall state that, at the Insured's request, the Insurer shall provide loss information to the Insured for at least three years or the period of time during which the Insurer has provided coverage to the Insured, whichever is less. Loss information on the Insured shall consist of the following:

- 1) Information on closed claims, including date and description of occurrence, and amount of payments, if any;
- 2) Information on open claims, including date and description of occurrence, amount of payment, if any, and amount of reserves, if any;
- 3) Information on notices of occurrence, including date and description of occurrence and amount of reserves, if any.

The Insured's written request for loss information must be made within ten (10) days of the Insured's receipt of the midterm cancellation or nonrenewal notice. The Insurer shall have thirty (30) days from the date of receipt of the Insured's written request to provide the requested information.

Notice of Increase in Premium

The Insurer shall provide not less than thirty (30) days notice to the Insured of an increase in renewal premium. The notice of renewal premium increase will be mailed or delivered to the Insured's last known address. If notice is mailed, it will be by registered or first class mail.

Return of Unearned Premium

Cancellation Initiated By Insurer – Unearned premium must be returned to the Insured not later than ten (10) business days after the effective date of termination.

Cancellation Initiated by Insured – Unearned premium must be returned to the Insured not later than thirty (30) days after the effective date of termination.

All other terms, conditions and exclusions shall remain the same.

AUTHORIZED REPRESENTATIVE

NEVADA AMENDATORY ENDORSEMENT

This endorsement, effective _____ forms a part of

policy no.: _____ issued to

by:

Wherever used in this endorsement: 1) "we", "us", "our", and "Insurer" mean the insurance company which issued this policy; and 2) "you", "your", "named Insured", "First Named Insured", and "Insured" mean the Named Corporation, Named Organization, Named Sponsor, Named Insured, or Insured stated in the declarations page; and 3) "Other Insured(s)" means all other persons or entities afforded coverage under the policy.

CANCELLATION/NONRENEWAL

A. The cancellation provision of the policy is replaced by the following:

1. The First Named Insured may cancel this policy by mailing or delivering to the Insurer advance written notice of cancellation.
2. MIDTERM CANCELLATION

If this policy has been in effect for seventy (70) days or more, or if this policy is a renewal of a policy the Insurer issued, the Insurer may cancel only for one or more of the following reasons:

- a. Nonpayment of premium;
- b. Conviction of the Insured or Other Insured(s) of a crime arising out of acts increasing the hazard insured against;
- c. Discovery of fraud or material misrepresentation in obtaining the policy or in presenting a claim thereunder;
- d. Discovery of an act or omission or a violation of any condition of the policy which occurred after the first effective date of the current policy, and substantially and materially increases the hazard insured against;
- e. A material change in the nature or extent of the risk, occurring after the first effective date of the current policy, which causes the risk of loss to be substantially and materially increased beyond that contemplated at the time the policy was issued or last renewed;
- f. A determination by the commissioner that continuation of the Insurer's present volume of premiums would jeopardize the Insurer's solvency or be hazardous to the interests of the Insurer's policyholders, creditors or the public; or
- g. A determination by the commissioner that the continuation of the policy would violate, or place the Insurer in violation of, any provision of the code.

If this policy is cancelled by the Insurer based on 2. b. through g. above, the Insurer shall mail or deliver a written notice to the First Named Insured thirty (30) days before the effective date of cancellation. If this policy is cancelled for nonpayment of premium, the Insurer will mail or deliver a written notice to the First Named Insured ten (10) days before the effective date of cancellation.

3. ANNIVERSARY CANCELLATION

If this policy is written for a term longer than one year, the Insurer may cancel for any reason at an anniversary, by mailing or delivering written notice of cancellation to the First Named Insured at the last mailing address known to the Insurer at least sixty (60) days before the anniversary date.

4. The following is added as an additional condition and supersedes any other provision to the contrary:

NONRENEWAL

- a. If the Insurer elects not to renew this policy, the Insurer will mail or deliver to the First Named Insured a notice of intention not to renew at least sixty (60) days before the agreed expiration date.
- b. The Insurer need not provide this notice if:
 - 1. The First Named Insured has accepted replacement coverage;
 - 2. The First Named Insured has requested or agreed to nonrenewal; or
 - 3. This policy is expressly designated as nonrenewable.

5. NOTICES

- a. Notice of cancellation or nonrenewal in accordance with the above, will be mailed, first class or certified, or delivered to the First Named Insured at the last mailing address known to the Insurer and will state the reason for cancellation or nonrenewal.
- b. The First Named Insured may request an explanation upon which the Insurer's decision to cancel or nonrenew was based. The Insurer will provide the explanation within six days of receipt of the written request by the First Named Insured.
- c. The Insurer will also provide a copy of the notice of cancellation, for both policies in effect less than seventy (70) days and policies in effect seventy (70) days or more, to the agent who wrote the policy.

All other terms, conditions and exclusions shall remain unchanged.

Authorized Representative