

**PROGRAM DIVISION
BULLETIN**

2008-12

April 18, 2008

Cancellation/Non-Renewal Endorsements

Please find attached three updated Cancellation/Non-Renewal endorsements to use with our independently filed AIG programs.

Attached please find updated AIG Cancellation Notices for Maryland, Ohio and South Carolina.

Please replace the prior versions with these new ones.

If you have any questions, please contact your Program Manager.

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AIG

PROGRAM DIVISION

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SOUTH CAROLINA 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) "Insured" means the Named Corporation, Named Entity, Named Organization, Named Sponsor, Named Insured, or Insured stated in the declarations page;

The following is added and supersedes any provision in the policy to the contrary:

CANCELLATION:

This policy may be cancelled by the Insured by surrender thereof to the Insurer or any of its authorized agents or by mailing to the Insurer written notice stating when thereafter the cancellation shall be effective.

If this policy has been in effect for less than 120 days and is not a renewal of a previously existing policy, this policy may be cancelled by the Insurer for any reason by delivering or mailing to the Insured at the address shown in this policy, written notice stating when, not less than thirty (30) days thereafter, such cancellation shall be effective. Where the reason for cancellation is nonpayment of premium however, not less than ten (10) days written notice shall be furnished by the Insurer.

If this policy has been in effect for 120 days or more, or is a renewal of a previously existing policy, this policy may be cancelled by the Insurer by delivering or mailing to the Insured and the agent of record, if any, at the address shown in the policy, written notice stating when, not less than thirty (30) days thereafter, such cancellation shall be effective. Where the reason for cancellation is nonpayment of premium however, not less than ten (10) days written notice shall be furnished by the Insurer. Any notice of cancellation will state the reason for cancellation. Cancellation under this paragraph shall be based on one or more of the following reasons:

- (1) Nonpayment of premium;
- (2) Material misrepresentation of fact which, if known to the Insurer, would have caused the Insurer not to issue the policy;
- (3) Substantial change in the risk assumed, except to the extent the Insurer should reasonably have foreseen the change or contemplated the risk in writing the policy;
- (4) Substantial breaches of contractual duties, conditions, or warranties;
- (5) Loss of the Insurer's reinsurance covering all or a significant portion of the particular policy insured; or
- (6) Where continuation of the policy would imperil the Insurer's solvency or place the Insurer in violation of the insurance laws of this state.

Prior to cancellation for reasons numbered five (5) and six (6) above, the Insurer shall notify the Insurance Commissioner in writing at least sixty (60) days prior to the effective date of such cancellation.

NONRENEWAL:

If the Insurer shall elect to nonrenew this policy and such policy is for a period of one year or less, than the Insurer shall mail or deliver written notice of nonrenewal to the Insured and the Insured's agent of record, if any, at least:

- (1) sixty days prior to the anniversary date of the policy for any nonrenewal that would be effective between November first and May thirty-first; and
- (2) ninety days prior to the anniversary date of the policy for any nonrenewal that would be effective between June first and October thirty-first.

If the Insurer shall elect to nonrenew this policy and such policy is for a period of more than one year or for an indefinite term, than the Insurer shall mail or deliver written notice of nonrenewal to the Insured and the Insured's agent of record, if any, at least:

- (1) sixty days prior to the anniversary date of the policy for any nonrenewal that would be effective between November first and May thirty-first; and
- (2) ninety days prior to the anniversary date of the policy for any nonrenewal that would be effective between June first and October thirty-first.

Any notice of nonrenewal will be mailed or delivered to the Insured's and the Insured's agent's at their addresses shown in the policy or, if not reflected therein, at their last known addresses. If notice is mailed, proof of mailing will be sufficient proof of notice.

Any notice of nonrenewal will state the precise reason for nonrenewal.

POLICY RENEWAL NOTICE:

If the Insurer intends to renew a policy, the Insurer shall furnish renewal terms and a statement of the amount of premium or estimated premium due for the renewal policy period.

If the policy being renewed (hereinafter "original policy") is written for a term of one year or less, the renewal terms and statement of premium or estimated premium due shall be furnished to the Insured not less than thirty (30) days prior to the expiration date of the original policy.

If the original policy is written for a term of more than one year or for an indefinite term, the renewal terms and statement of premium or estimated premium due shall be furnished to the Insured not less than thirty (30) days prior to the anniversary date of the original policy.

The Insurer may satisfy its obligation to furnish renewal terms and statement of premium or estimated premium due by either of the following methods:

- mailing or delivering renewal terms and statement to the Insured at his address shown in the policy or, if not reflected therein, at his last known address, not less than thirty (30) days prior to expiration or anniversary;
or

- mailing or delivering renewal terms and statement to the agent of record, if any, not less than forty-five (45) days prior to the expiration or anniversary, along with instructions that the agent furnish the renewal terms and statement to the Insured not less than thirty (30) days prior to expiration or anniversary.

If the Insurer fails to furnish the renewal terms and statement of premium or estimated premium due, the Insured may elect to cancel the renewal policy within the thirty-day period following receipt of the renewal terms and statement of premium or estimated premium due. Earned premium for any period of coverage shall be calculated pro rata based upon the premium applicable to the original policy and not the premium applicable to the renewal policy.

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

AUTHORIZED REPRESENTATIVE

This endorsement, effective _____ A.M. _____ forms a part of

Policy no.: _____ issued to

By:

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

MARYLAND CANCELLATION/NONRENEWAL ENDORSEMENT

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.

It is hereby understood and agreed that the cancellation and/or nonrenewal provision of this policy is amended by the following as necessary:

CANCELLATION BY THE INSURED

The Insured may cancel this policy by mailing to the Insurer advance written notice of cancellation.

CANCELLATION BY THE INSURER

1. CANCELLATION DURING THE UNDERWRITING PERIOD

If this policy has been in effect for forty-five (45) or fewer days and this policy is not a renewal of a policy issued by the Insurer, then the Insurer may cancel this policy by mailing, via certificate of mail to the Insured, advance written notice of cancellation. The cancellation notice will be mailed to the Insured not less than fifteen (15) days before the effective date of cancellation. The notice will state clearly and specifically the reasons for cancellation.

2. CANCELLATION AFTER THE UNDERWRITING PERIOD

If this policy has been in effect for more than forty-five (45) days when the notice of cancellation is mailed, or if this policy is a renewal of a policy issued by the Insurer, Insurer may cancel this policy for one or more of the following reasons:

- Nonpayment of premium; or
- Application of standards which are reasonably related to the Insurer's economic and business purposes.

When cancellation is for nonpayment of premium, the Insurer will mail via certificate of mail written notice of cancellation to the Insured at least ten (10) days before the effective date of cancellation. A written notice of cancellation or notice of nonrenewal based on application of standards reasonably related to the Insurer's economic and business purposes will be mailed to the Insured not less than forty-five (45) days prior to the effective date of cancellation or the expiration date of the policy. Notices will be sent by certificate of mail or commercial mail delivery service to the Insured at his last known address and will state the reason(s) for cancellation or nonrenewal.

When the Insurer intends to increase the premium for a particular policy by 20% or more (without a corresponding change in the terms of the policy), the Insurer shall notify the Insured and the agent of the increase forty-five (45) days prior to the renewal date of the policy by first class mail.

The Insurer is not required to include premium resulting from:

- An increase in the units of exposure;
- The application of an experience rating plan;
- The application of a retrospective rating plan, a change made by the insured that increases the insurer's exposure; or
- An audit of the uninsured.

When an insurance contract is canceled, whether by a premium finance company, an Insurer, or an Insured, the Insurer shall return any gross unearned premiums that are due under the insurance contract, computed pro rata, and excluding any expense constant, administrative fee, or any nonrefundable charge filed with and approved by the Commissioner, to the premium finance company for the account of the Insured within forty-five (45) days after:

- receipt by the Insurer of a notice of cancellation from the premium finance company or the Insured; [or]
- the date the Insurer cancels the insurance contract; [or]
- completion of any payroll audit necessary to determine the amount of premium earned while the insurance contract was in force. The payroll audit shall be performed within forty-five (45) days after the Insurer receives the notice of cancellation.

When an insurance contract is not financed and canceled by an Insured, then the return premium shall be calculated short rate (pro rata x .90).

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS SHALL REMAIN THE SAME.

AUTHORIZED REPRESENTATIVE OR COUNTERSIGNATURE
(WHERE REQUIRED BY LAW)

ENDORSEMENT

This endorsement, effective at 12:01 AM forms a part of

Policy number Issued to:

By:

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

OHIO CANCELLATION/NONRENEWAL ENDORSEMENT

Wherever used in this endorsement: 1) "we", "us", "our", and "Insurer" means the insurance company that issued this policy; and 2) "you", "your", or "Insured", means the Named Corporation, Named Organization, Named Sponsor, Named Insured, First Named Insured, Insured's Representative, Insured or equivalent term stated in Item 1 of the Declarations Page; and 3) "Other Insured(s)" means all other persons or entities afforded coverage under the policy.

In consideration of the premium charged, it is understood and agreed that the cancellation provision of the Policy is deleted in its entirety and replaced by the following:

CANCELLATION

This policy may be cancelled by the named Insured by surrender thereof to the Insurer or any of its authorized agents or by mailing to the Insurer written notice stating when thereafter the cancellation shall be effective.

After coverage has been in effect for more than ninety (90) days or after the effective date of the renewal of the policy, a notice of cancellation shall not be issued by the Insurer unless it is based on at least one of the following reasons:

- a) Nonpayment of premium;
- b) Discovery of fraud or material misrepresentation in the procurement of the insurance;
- c) Discovery of willful or reckless acts or omissions on the part of the Named Insured or Other Insured(s) which increase any hazard insured against;
- d) The occurrence of a change in the individual risk which substantially increases any hazard insured against after insurance coverage has been issued or renewed, except to the extent the insurer reasonably should have foreseen the change or contemplated the risk in writing the contract;
- e) Loss of or substantial decrease in applicable reinsurance (if the superintendent has determined that reasonable efforts have been made to prevent the loss of, or substantial decrease in, the applicable reinsurance, or to obtain replacement coverage);

- f) Failure of an Insured or Other Insured(s) to correct material violations of safety codes or to comply with reasonable written loss control recommendations; or
- g) A determination by the director of insurance that the continuation of the Policy would create a condition that would be hazardous to the Insured or Other Insured(s) or to the public.

The notice of cancellation will be in writing, be mailed to the Insured at the last known address, and contain all of the following:

- The policy number;
- The date of notice;
- The effective date of cancellation (Except for nonpayment of premium, the effective date of cancellation shall not be less than thirty (30) days from the date of mailing the notice. When cancellation is for nonpayment of premium, the effective date of cancellation shall be no less than ten (10) days from the date of mailing the notice); and
- An explanation of the reason for cancellation.

In addition, the Policy is amended to include the following:

NONRENEWAL

The Insurer shall provide at least thirty (30) days written notice of its intention not to renew the policy at its expiration date.

NOTICE REQUIREMENTS FOR INCREASE IN PREMIUM

An insurer who intends to condition renewal upon a substantial increase in premium shall mail a notice of such intention to the agent of record and to the Insured at least thirty (30) days prior to the expiration date of the policy. If the notice is mailed less than thirty (30) days before the expiration date of the policy the Insured's coverage then in effect remains in effect until thirty (30) days after the date of mailing the notice.

OTHER DUTIES OF THE INSURER (APPLICABLE TO CLAIMS-MADE POLICIES ONLY)

The Insurer will provide the Insured the following information relating to this and any preceding claims-made Policy issued to the Insured by the Insurer during the previous three years:

1. A list or other record of each claim, not previously reported to any other insurer, of which the Insurer has been notified in accordance with the Policy terms and conditions. The Insurer will include the date and brief description of each claim if that information was in the notice the Insurer received.
2. A summary by policy year, of payments made and amounts reserved, stated separately, under any applicable General Aggregate Limit.

Amounts reserved are based on the Insurer's judgment. They are subject to change and should not be regarded as ultimate settlement values.

The Insured (or Other Insured(s)) must not disclose this information to any claimant or any claimant's representative without the Insurer's consent.

If the Insurer cancels or elects not to renew this Policy, the above information shall be provided no later than (30) thirty days before the date of policy termination. In other circumstances, the Insurer will provide this information only if the Insurer receives a written request from the Insured within (60) sixty days after the end of the policy period. In this case, the Insurer will provide this information within (45) forty-five days of receipt of the request.

The Insurer compiles claim information for its own business purposes and exercises reasonable care in doing so. In providing this information to the Insured, the Insurer makes no representations or warranties to the Insured, any Other Insureds, insurers, or others to whom this information is furnished by or on behalf of the Insured. Cancellation or non-renewal will be effective even if the Insurer inadvertently provides inaccurate information.

RETURN OF UNEARNED PREMIUM

If the total premium has been paid and the policy is cancelled by the Insured, the Insurer may retain the premium at customary short rates for the time the policy has been in force and return to the Insured ninety percent (90%) of the unearned portion of the premium calculated on a pro rata basis.

If the premium is paid in installments and the policy is cancelled by the Insured, the Insurer may collect premium at customary short rates for the time the policy has been in force, said rates to be computed on the full term of insurance mentioned in the policy as charged by the Insurer. Upon receipt of such short rates, the Insurer will return all installment notes then unpaid and return to the Insured any premium collected in excess of the short rates.

If this policy is cancelled by the Insurer, the Insurer may retain the pro rata portion of the premium hereon.

Payment or tender of any unearned premium by the Insurer shall not be a condition of cancellation, but such payment shall be made as soon as practicable.

ALL OTHER TERMS, CONDITIONS AND EXCLUSIONS SHALL REMAIN UNCHANGED.

AUTHORIZED REPRESENTATIVE