

PRESS RELEASE, TEXAS STATE BOARD OF INSURANCE, DECEMBER 28, 1967

The State Board of Insurance today announced the adoption of standards of acceptable practice to guide companies cancelling or declining to renew policies. These guidelines are for use by companies writing property-casualty lines of insurance in Texas and are designed to apply to the personal lines which most people buy, namely family automobile policies, homeowners policies and standard fire policies on one-family dwellings and duplexes.

Insofar as the Board has been able to determine, there has not been an abuse of the right of cancellation by the insurance industry in this State; nevertheless, the Board feels that a set of guidelines is needed and has called upon the industry to comply.

RECORD OF OFFICIAL ACTION OF THE STATE BOARD OF INSURANCE, AUSTIN, TEX.,
DEC. 20, 1967

Subject Considered: Guidelines for cancellation or non-renewal of property or casualty insurance.

GENERAL REMARKS AND OFFICIAL ACTION TAKEN

Came on for consideration by the State Board of Insurance the problems sometimes presented to policyholders because of their policies being cancelled by their insurers or by the refusal of insurers to renew policies on their expiration dates. Although the State Board of Insurance has not had a disproportionate number of complaints about cancellations or the refusal to renew expired policies, cancellations by some property and casualty insurance companies impel the Board to adopt standards of acceptable practice to guide companies cancelling or declining to renew policies, and the State Board of Insurance hereby establishes the following guidelines for all companies writing property and casualty insurance in Texas.

1. The insurance policies most people buy, namely family automobile policies, homeowners policies and standard fire policies on one-family dwellings and duplexes, are presumed to meet the underwriting requirements of the company after a policy has been in effect ninety (90) days.

a. Family automobile policies or family automobile coverage should be cancelled only for the following reasons:

- i. If the named insured fails to discharge when due any of his obligations in connection with the payment of premium for the policy or any installment thereof, whether payable directly to the company or its agent or indirectly under any premium finance plan or extension of credit; or
- ii. If the driver's license or motor vehicle registration of the named insured or of any other operator who either resides in the same household or customarily operates an automobile insured under the policy has been under suspension or revocation during the policy period.

b. Homeowners policies and standard fire policies on one-family dwellings and duplexes should not be cancelled because the company subsequently changes its underwriting requirements during the term of the policy.

2. Family automobile policies or family automobile coverage, homeowners policies and standard fire policies on one-family dwellings and duplexes should be renewed at expiration unless the insurer gives written notice to the named insured and to the agent or producer at least thirty (30) days in advance of the expiration date that the policies will not be renewed.

With respect to family automobile policies or family automobile coverage, if the policy or coverage is written for a period of less than one year, the company should not refuse to renew except as of the expiration of a policy period.

3. Insurers should not cancel or decline to renew family automobile policies solely because of ages of the insureds.

4. As to any kind of property or casualty coverage, insurers desiring to discontinue the underwriting of certain lines or classes or to withdraw from a geographical area or a particular agency should not summarily cancel all outstanding policies. Instead, insurers should retain until policy expiration date all such policies that met its underwriting requirements at inception date. Thirty (30) days notice of declination to renew should be given to the named insured and to the agent or producer. This guideline is not intended to restrict the ability of an insurer to reinsure such outstanding policies.