

Notice of Coverage Reduction, Restriction, or Removal

This Bulletin is directed to all property, casualty, fire, and marine insurers. House Bill 1452 (Pub. Law 173-2007) §9 (Section 9), to be codified at IC 27-1-13-16, directs all writers of homeowners and owner-occupied dwelling fire policies to notify named insureds when coverage is reduced, restricted, or removed by a rider or endorsement. Section 9 represents a significant regulatory change, and the Commissioner is issuing this bulletin to provide guidance on implementation of Section 9.

The effective date of Section 9 is July 1, 2007. The Department interprets this effective date to apply to notices deposited for mailing on or after July 1, 2007. The requirement does not apply to reductions, restrictions, or removals that were mailed prior to July 1, 2007, even though the effective dates for policies containing these changes are after July 1, 2007.

The notice provisions only apply to insurer-initiated actions which reduce, restrict, or remove coverage by a rider or endorsement. Notice is required for insurer-initiated actions that have a negative impact on an insured's coverage. An offer of renewal or policy extension will be considered by the Department to be a rider or endorsement. Although an insurer may choose to notify its insured if coverage is expanded, compliance with Section 9 is not required in that instance. If an insured requests a reduction, restriction, or removal in coverage, the prescribed notice is also not required.

Notice must be part of a document separate from the rider or endorsement. Double-sided printing is acceptable; however, the notices on the front and back of the same paper must relate to the same change in coverage. Notice by electronic means should occur only when the policy was delivered electronically or the insured has requested communication by electronic means.

Section 9 requires the notice to "identify the forms, provisions, or endorsements that are changed." A description of the change in coverage is not required. However, an identification should be more than a numerical reference to a section, rider, or endorsement number. The form, provision, or endorsement change should be identified by title or name to fulfill the notice requirements.

Section 9 further requires the notice to indicate the name and "contact information" of the servicing insurance producer for the policy, if any, and the insurer to be contacted if the insured has questions about the notice. The insurance producer identified may be either the applicable agency or the individual agent. The notice should explain that the contact information is provided for the purpose of answering questions about the change in coverage. If notice is sent through United States mail, the contact information must include at least one phone number. If notice is sent via electronic means, the contact information must include a phone number and an email address.

An insurer that fails to provide notice in compliance with Section 9 is subject to administrative proceedings under IC 27-4-1-4 as an unfair and deceptive act or practice in the business of insurance and subject to penalties including monetary fines and suspension or revocation of the insurer's certificate of authority.

INDIANA DEPARTMENT OF INSURANCE


James Atterholt, Commissioner