

Bulletin 316

Personal Lines Insurance; Effect of Agency Termination on Policy Renewal Supersedes Bulletin 204

It has been the practice of some insurers to issue nonrenewal notices to policyholders of a producer of record when the producer ceases to represent the company. Please be advised that the fact that a producer no longer represents an insurer is not a valid reason for policy nonrenewal under either the Maine Automobile Insurance Cancellation Control Act, 24-A M.R.S.A., Chapter 39, subchapter II, or the Maine Property Insurance Cancellation Control Act, 24-A M.R.S.A., Chapter 41, subchapter V. In addition, the Bureau has received complaints alleging that either an insurer or a producer has misrepresented the policyholder's right to continue coverage in these circumstances.

The misunderstanding created by improper nonrenewal notices may cause some insureds to be inappropriately placed in the Maine Automobile Insurance Plan. It also requires the Bureau to process a number of unnecessary and time-consuming complaints and hearing requests. For the foregoing reasons, a nonrenewal notice may not be used to notify policyholders that a producer no longer represents the insurer.

Unless the policyholder is properly advised, and chooses to change insurers, or unless independent grounds for nonrenewal or cancellation exist, insurers will be obligated to continue coverage. Insurers are responsible for making appropriate arrangements to service policies maintained in force.

The Bureau is aware that many insurers and producers have contractual arrangements whereby the producers have certain proprietary rights with respect to the accounts. If such contractual arrangements exist and an insurer contacts a policyholder regarding the termination of the producer relationship, it may be appropriate for the insurer to recommend that the policyholder contact his or her producer about obtaining comparable coverage through a different insurer in addition to notifying the policyholder of the right to continue coverage with the current insurer. No communication should misrepresent, by omission or otherwise, a policyholder's right to continue coverage in accordance with the provisions in the aforementioned Cancellation Control Acts.

November 21, 2002 _____
Alessandro A. Iuppa
Superintendent of Insurance

NOTE: This bulletin is intended solely for informational purposes. It is not intended to set forth legal rights, duties, or privileges, nor is it intended to provide legal advice. Readers are encouraged to consult applicable statutes and regulations and to contact the Bureau of Insurance if additional information is needed.