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SYNOPSIS:

Under existing law, there is no state law generally requiring insurers to provide a person insured under a property insurance policy with prior notice of policy cancellation, nonrenewal, or reduction of coverage.

This bill would require insurers to provide certain persons insured under property insurance policies at least 90 days prior written notice of a policy cancellation, nonrenewal, or coverage restriction.

This bill would also deem policy cancellation, nonrenewal, or reduction of coverage by an insurer ineffective under certain limited circumstances.

A BILL
TO BE ENTITLED
AN ACT

Relating to cancellation, nonrenewal, or restriction of coverage under a property insurance policy; to require insurers to provide certain persons insured under a property insurance policy with certain written notice prior to cancellation, nonrenewal, or coverage restriction of the



29 policy; and to deem cancellation, nonrenewal, or coverage
30 restriction by an insurer ineffective under certain limited
31 circumstances.

32 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

33 Section 1. As used in this section, the following terms
34 have the following meanings:

35 (1) AFFILIATE TRANSFER. When an insurer transfers, at
36 renewal or policy expiration, its personal lines property
37 insurance policies or commercial lines property insurance
38 policies to an affiliated licensed insurer that is a member of
39 the same insurance group or same holding company as the
40 transferring insurer. The issuance of a replacement policy
41 form providing the same or substantially similar coverage
42 issued by the same insurer, or the transfer of personal lines
43 property insurance policies or commercial lines property
44 insurance policies to a licensed affiliate insurer that will
45 issue the same or substantially similar policy, is considered
46 a renewal and will not be treated as a cancellation or
47 nonrenewal. The policy transfer must be selected on a
48 nondiscriminatory basis.

49 (2) CANCELLATION. The decision by an insurer in
50 accordance with Section 2 to terminate coverage to a
51 policyholder prior to the expiration of the current term.

52 (3) COVERAGE RESTRICTION. Any imposition of a wind
53 exclusion or hurricane deductible, or increasing an existing
54 hurricane deductible, where the restriction applies to a
55 category or group of policyholders at renewal and is not a
56 result of prior claims history.



57 (4) INSURER. Includes authorized insurers and
58 unauthorized insurers as defined in Section 27-1-2, Code of
59 Alabama 1975, and surplus lines insurers providing property
60 insurance policies on risks located in the state of Alabama.
61 The term shall not apply to a liability self-insurance fund as
62 defined in Section 11-30-1, Code of Alabama 1975.

63 (5) NONPAYMENT OF PREMIUM. The failure of the named
64 insured to, when due, discharge any of his or her obligations
65 in connection with the payment of premiums on a policy of
66 insurance or any installment of such premium, whether the
67 premium is payable directly to the insurer or its agent or
68 indirectly under any premium finance plan or extension of
69 credit.

70 (6) NONRENEWAL. The decision by an insurer to not renew
71 coverage to a policyholder for an additional term.

72 (7) PROPERTY INSURANCE. The term includes homeowners
73 insurance, condominium insurance, dwelling fire policies that
74 provide dwelling or contents coverage, renters or tenants
75 insurance, mobile home or manufactured home insurance, and
76 commercial lines policies. Creditor placed property insurance
77 and automobile insurance are excluded.

78 (8) SUBSTANTIALLY SIMILAR. A policy that provides the
79 same basic coverages but may add, alter, or eliminate
80 incidental coverages and may provide coverages using different
81 textual language.

82 Section 2. (a) This section shall not apply to property
83 insurance policies issued to any of the following:

84 (1) Any state, county, or local government or any



85 boards, councils, commissions, or committees thereof.

86 (2) Any entity organized under the statutory authority
87 of, and whose members, directors, trustees, or stockholders
88 are selected, appointed, or chosen by, the chief executive
89 officer or governing body of a state, county, or local
90 government.

91 (b) (1) A cancellation or nonrenewal of a property
92 insurance policy is not effective as to any coverage issued or
93 renewed after January 1, 2026, unless notice is mailed or
94 delivered to the insured and to any named creditor loss payee
95 by the insurer not less than 30 days prior to the effective
96 date of the cancellation or nonrenewal. This section shall not
97 apply to nonpayment of premiums unless there is a named
98 creditor loss payee, in which case at least 10 days' notice is
99 required.

100 (2) The cancellation and nonrenewal notice requirements
101 of this section shall not apply when a replacement policy form
102 is issued by the same insurer or when a transfer of an insured
103 to a licensed affiliate of the insurer occurs, so long as the
104 replacement of policy forms or transfer results in the same or
105 substantially similar coverage and the insurer mails or
106 delivers to the insured at least 30 days prior to the renewal
107 effective date notice of any term or condition that is less
108 favorable to the policyholder.

109 (3) The provisions of subdivisions (1) and (2) shall be
110 incorporated into each property insurance policy issued or
111 renewed after January 1, 2026, and if the provisions are not
112 expressly stated in the policy, the provisions shall be deemed



113 to be incorporated in the policy.

114 (c) Whenever a replacement policy form is issued by the
115 same insurer or when transfer of an insured to a licensed
116 affiliate occurs, documents signed by the insured are
117 applicable to the replacement policy form, or the coverage is
118 transferred to the licensed affiliate insurer, or both, and
119 the policy shall remain valid and enforceable.

120 (d) A transferring insurer shall provide the
121 policyholder written notice of the policy transfer at least 30
122 days prior to expiration of the policy term. The notice must
123 be provided to the policyholder with the notice of renewal
124 premium at least 30 days before the effective date of the
125 transfer.

126 (e) No notice of cancellation of a property insurance
127 policy shall be effective unless it is based on one or more of
128 the following reasons:

129 (1) Nonpayment of premium.

130 (2) The policy was obtained through a material
131 misrepresentation.

132 (3) An insured violated any of the terms and conditions
133 of the policy.

134 (4) An insured made a false or fraudulent claim or
135 knowingly aided or abetted another in the presentation of such
136 a claim.

137 (5) Failure to maintain membership in any group or
138 organization when such membership is a prerequisite to the
139 purchase of the insurance.

140 (6) The insured property is so mechanically or



141 structurally defective or changed in shape or condition during
142 the policy period so as to increase the risk substantially.

143 (f) (1) Every insurer selling property insurance shall
144 provide written notice of a coverage restriction or
145 nonrenewal, where the nonrenewal applies to a category or
146 group of policyholders at renewal and is not a result of prior
147 claims history, to the Commissioner no less than 60 days prior
148 to the effective date of the proposed coverage restriction or
149 category or group nonrenewal. The notice shall include the
150 type of policies, the type of coverage restrictions, the
151 category or group of policyholders to be affected, the number
152 of policyholders to be affected, and the names of the Alabama
153 counties in which policyholders to be affected reside.

154 (2) Every insurer selling property insurance shall
155 provide written notice of a coverage restriction or
156 nonrenewal, where the nonrenewal applies to a category or
157 group of policyholders at renewal and is not a result of prior
158 claims history, to the policyholder no less than 30 days prior
159 to the effective date of the proposed coverage restriction or
160 category or group nonrenewal.

161 (g) (1) Subsections (e) and (f) shall not apply to any
162 property insurance policy which has been in effect less than
163 60 days at the time notice of cancellation is mailed or
164 delivered by the insurer unless it is a renewal policy.

165 (2) Renewal of a property insurance policy shall not
166 constitute a waiver or estoppel with respect to grounds for
167 cancellation which existed before the effective date of the
168 renewal.



169 (3) Proof of mailing or delivery of notice of
170 cancellation, coverage restriction, nonrenewal, or of reasons
171 for cancellation to the policyholder shown in the policy shall
172 be sufficient proof of notice.

173 (4) Where the reason or reasons for cancellation do not
174 accompany or are not included in the notice of cancellation,
175 the insurer, upon written request of the policyholder, shall
176 mail or deliver notice to the policyholder not less than 15
177 days prior to the effective date of cancellation and specify
178 in writing the reason or reasons for the cancellation. The
179 reasons shall be mailed or delivered to the named insured
180 within five days after nonpayment of the premium. This
181 subdivision shall apply only to a cancellation.

182 (h) There shall be no liability on the part of and no
183 cause of action of any nature shall arise against any insurer,
184 its authorized representative, its agents, its employees, or
185 any person furnishing to the policyholder any information as
186 to cancellation, coverage restriction, or nonrenewal, for any
187 statement made by any of them in any written notice of
188 cancellation, coverage restriction, or nonrenewal, or for the
189 providing of information pertaining thereto, or for statements
190 made or evidence submitted at the hearings conducted in
191 connection therewith.

192 (i) If any portion of this act or its applicability to
193 any person or circumstance is held invalid by a court, the
194 remainder of the act or the applicability of the provision to
195 other persons or circumstances shall not be affected.

196 Section 3. This act shall become effective on October



197 1, 2024.