

SENATE BILL 96

By Finney L

AN ACT to amend Tennessee Code Annotated, Title 56  
and Title 66, relative to property insurance.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 56, Chapter 7, is amended by adding  
the following as a new part:

56-7-3401. As used in this part:

(1) "Cancellation" means the termination of a policy prior to the expiration of the  
policy period by an act;

(2) "Commissioner" means the commissioner of commerce and insurance or the  
commissioner's designee;

(3) "Declination" means the refusal of an insurance provider to issue a property  
insurance policy on a written, nonbinding application or written request for coverage;

(4) "Nonpayment of premium" means failure of the named insured to discharge  
when due any obligations in connection with the payment of premiums on a policy of  
property insurance or any installment of the premium, whether the  
premium is payable directly to the insurance provider under any premium finance plan or  
extension of credit;

(5) "Property insurance" means insurance on real or personal property of every  
kind and of every interest therein against loss or damage from any and all hazard or  
cause, and against loss consequential upon such loss or damage, other than  
noncontractual legal liability for any such loss or damage;

(6) "Renewal" or to "renew" means the issuance and delivery by an insurance  
provider at the end of a policy period of a policy superseding a policy previously issued

and delivered by the same insurance provider or the issuance and delivery of a certificate or notice extending the term of an existing policy beyond its policy period or term; and

(7) "Termination":

(A) Means the expiration of the policy by lapse of the policy period;

(B) Includes the transfer of a policyholder between companies within the same insurance group; and

(C) Does not include requiring a reasonable deductible or reasonable changes in the amount of insurance or reasonable reductions in policy limits or coverage, if such requirements are directly related to the hazard involved and are made on the renewal date of the policy.

56-7-3402.

(a) Upon declining to insure any real or personal property, the insurance provider shall provide the insurance applicant with a statement:

(1) In writing;

(2) Within thirty (30) days of the timely receipt of the applicant's written request for such an explanation; and

(3) Delivered or mailed to the applicant at the applicant's last known address.

(b) Upon declining to insure any real or personal property, the insurance provider shall provide the insured with a statement:

(1) In writing;

(2) Within thirty (30) days of the timely receipt of the insured's written request for such an explanation; and

(3) Delivered to the named insured or mailed at the last known address.

56-7-3403.

After coverage has been in effect for more than sixty (60) days or after the effective date of a renewal policy, no notice of cancellation shall be issued by an

insurance provider unless the cancellation is based upon at least one (1) of the following:

(1) Nonpayment of premium;

(2) Discovery of fraud or material misrepresentation made by or with the knowledge of the named insured in:

(A) Obtaining the policy;

(B) Continuing the policy; or

(C) Presenting a claim under the policy;

(3) Discovery of willful or reckless acts or omissions by the named insured which increase any hazard insured against;

(4) The occurrence of a change in the risk which substantially increases any hazard insured against after insurance coverage has been issued or renewed;

(5) A violation of any local or state fire, health, safety, building or construction regulation or ordinance with respect to any insured property or the occupancy thereof which substantially increases any hazard insured against;

(6) A determination by the commissioner that the continuation of the policy would place the insurance provider in violation of the insurance laws of this state; or

(7) Real property taxes owed on the insured property have been delinquent for two (2) or more years and remain delinquent at the time notice of cancellation is issued.

56-7-3404.

(a)

(1) If an insurance provider does not intend to renew a property insurance policy, the insurance provider shall mail or deliver to the named insured, at the address shown in the policy, notice of its intention not to renew at least thirty (30) days prior to the expiration of the policy.

(2) The notice of intention not to renew shall advise the insured that upon written request of the named insured, mailed or delivered to the insurance provider not later than fifteen (15) days after the effective date of the nonrenewal, the insurance provider shall within twenty (20) days of receipt of notice from the named insured, mail to the named insured a written statement specifying a reason for the nonrenewal action.

(3) There shall be no liability on the part of, and no cause of action of any nature shall arise against, any insurance provider, as to the reason for nonrenewal.

(4) Proof of mailing of either notice shall be retained by the insurance provider for a period of not less than one (1) year from the insured's notice of nonrenewal.

(b) If the insurance provider fails to comply with either subdivision (a)(1), (a)(2) or (a)(3), coverage shall be deemed renewed under the same terms and conditions of the current policy until the named insured has accepted replacement coverage with another insurance provider or until the named insured has agreed to the nonrenewal.

(c) No insurance provider shall refuse to renew a policy of property insurance solely on the basis of an inquiry by the named insured regarding a property insurance policy or a loss under that policy.

(d) For the purposes of this section, an "inquiry" means any contact initiated by an insured that is not the filing of a claim to an insurance provider.

(e) An insurance provider may nonrenew a property insurance policy if:

(1) The claim asserted against the policy demonstrates that there has been a substantial change or increase in the hazard or in the risk assumed by the insurance provider, subsequent to the date the policy was issued, and such nonrenewal is applied to other property insurance policies similarly situated; or

(2) The policyholder has refused or failed to make objectively necessary changes or repairs after being notified by the insurance provider that failure to make such changes or repairs will constitute a breach of contractual duties, conditions or warranties that will change or increase the hazard or risk assumed by the insurance provider subsequent to the date the policy was issued.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.