

**304.20-040 Cancellation, nonrenewal, or termination of automobile insurance --  
Definitions -- Scope -- Penalties.**

(1) As used in this section:

- (a) "Policy" means an automobile liability insurance policy, delivered or issued for delivery in this state, insuring a single individual or husband and wife resident of the same household, as named insured, and under which the insured vehicles therein designated are of the following types only:
  - 1. A motor vehicle of the private passenger or station wagon type that is not used as a public or livery conveyance for passengers, nor rented to others; and
  - 2. Any other four-wheel motor vehicle with a load capacity of one thousand five hundred (1,500) pounds or less which is not used in the occupation, profession, or business of the insured; provided, however, that this section shall not apply:
    - a. To any policy issued under an automobile assigned risk plan; or
    - b. To any policy covering garage, automobile sales agency, repair shop, service station, or public parking place operation hazards;
- (b) "Automobile liability insurance policy" includes only coverage for bodily injury and property damage liability, basic reparations benefits, and the provisions therein, if any, relating to medical payments, uninsured motorists coverage, underinsured motorists coverage, and automobile physical damage coverage;
- (c) "Renewal" or "to renew" means the issuance and delivery by an insurer of a policy replacing at the end of the policy period a policy previously issued and delivered by the same insurer, or the issuance and delivery of a certificate or notice extending the term of a policy beyond its policy period or term; provided, however, that any policy with a policy period or term of less than three (3) months shall for the purpose of this section be considered as if written for a policy period or term of three (3) months. Provided, further, that any policy written for a term longer than one (1) year or any policy with no fixed expiration date, shall for the purpose of this section, be considered as if written for successive policy periods or terms of one (1) year, and the policy may be terminated at the expiration of any annual period upon giving seventy-five (75) days' notice of nonrenewal prior to the anniversary date;
- (d) "Nonpayment of premium" means failure of the named insured to discharge when due any of his or her obligations in connection with the payment of premiums on a policy, or any installment of the premium, whether the premium is payable directly to the insurer or its agent or indirectly under any premium finance plan or extension of credit;
- (e) "Declination" or "decline" means either the refusal of an insurer to issue an automobile liability insurance policy upon receipt of a written nonbinding application or written request for coverage from its agent or an applicant, or refusal of an agent to transmit to an insurer a written nonbinding application

or written request for coverage received from an applicant. The offering of insurance coverage with a company within an insurance group that is different from the company requested on the nonbinding application or written request for coverage, or the offering of insurance upon different terms than requested in the nonbinding application or written request for coverage, shall be considered to be a declination; and

- (f) "Agent" includes but is not limited to surplus lines broker.
- (2) (a) A notice of cancellation of a policy shall be effective only if it is based on one (1) or more of the following reasons:
1. Nonpayment of premium;
  2. 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 or, if the policy is a renewal, during its policy period or the one hundred eighty (180) days immediately preceding its effective date;
  3. Discovery of fraud or material misrepresentation made by or with the knowledge of the named insured in obtaining the policy, continuing the policy, or in presenting a claim under the policy;
  4. Discovery of willful acts or omissions on the part of the named insured that increase any hazard insured against; or
  5. A determination by the commissioner that the continuation of the policy would place the insurer in violation of this chapter or the rules or administrative regulations of the commissioner.
- (b) This subsection shall not apply to any policy or coverage which has been in effect less than sixty (60) days at the time notice of cancellation is mailed or delivered by the insurer unless it is a renewal policy.
- (c) Modification of automobile physical damage coverage by the inclusion of a deductible not exceeding one hundred dollars (\$100) shall not be deemed a cancellation of the coverage or of the policy.
- (d) This subsection shall not apply to nonrenewal.
- (3) No notice of cancellation of a policy to which subsection (2) of this section applies shall be effective unless mailed or delivered by the insurer to the named insured at least twenty (20) days prior to the effective date of cancellation; provided, however, that where cancellation is for nonpayment of premium, at least fourteen (14) days' notice of cancellation accompanied by the reason therefor shall be given. This subsection shall not apply to renewals. A policy or coverage which has been in effect less than sixty (60) days at the time the notice of cancellation is mailed or delivered by the insurer is not limited to the reasons for cancellation set forth in subsection (2)(a) of this section unless it is a renewal policy. Notice of cancellation for a policy that has been in effect for less than sixty (60) days shall be mailed or delivered to the named insured at least fourteen (14) days in advance of the effective cancellation date.

- (4) No insurer or agent shall decline, refuse to renew, or cancel a policy of automobile insurance solely because:
- (a) Of the credit history, lack of credit history, or the following extraordinary life circumstances that directly influence the credit history of the applicant or insured:
    - 1. Catastrophic event, as declared by the federal or state government;
    - 2. Serious illness or injury, or serious illness or injury to an immediate family member;
    - 3. Death of a spouse, child, or parent;
    - 4. Divorce or involuntary interruption of legally owed alimony or support payments;
    - 5. Identity theft;
    - 6. Temporary loss of employment for a period of three (3) months or more, if it results from involuntary termination;
    - 7. Military deployment overseas; or
    - 8. Other events, as determined by the insurer;
  - (b) The applicant or insured has previously obtained automobile coverage through a residual market mechanism or from a carrier providing nonstandard coverage;
  - (c) The applicant or insured has sustained one (1) or more losses that immediately result from a natural cause without the intervention of any person and that could not have been prevented by the exercise of prudence, diligence, and care;
  - (d) Of the race, religion, nationality, ethnic group, age, sex, or marital status of the applicant or named insured; or
  - (e) Another insurer previously declined to insure the applicant or terminated an existing policy in which the applicant was the named insured.
- (5) No insurer shall fail to renew a policy unless it shall mail or deliver to the named insured, at the address shown in the policy, at least seventy-five (75) days' advance notice of its intention not to renew. If notice is not provided, coverage shall be deemed to be renewed for the ensuing policy period upon payment of the appropriate payment under the same terms and conditions, until the named insured has accepted replacement coverage with another insurer, or until the named insured has agreed to the nonrenewal.
- (6) The transfer of a policyholder between companies within the same insurance group shall be considered a nonrenewal.
- (7) Renewal of a policy shall not constitute a waiver or estoppel with respect to grounds for cancellation which existed before the effective date of the renewal.
- (8) If the insurer has manifested its willingness to renew by mailing or delivering a renewal notice, bill, certificate, or policy to the first-named insured at his or her last known address at least thirty (30) days before the end of the current policy period with the amount of the renewal premium charge and its due date clearly set forth

therein, then the policy shall expire and terminate without further notice to the insured on the due date, unless the renewal premium is received by the insurer or its authorized agent on or before that date. When any policy terminates pursuant to this subsection because the renewal premium was not received on or before the due date, the insurer shall, within fifteen (15) days, deliver or mail to the first-named insured at his or her last known address a notice that the policy was not renewed and the date on which the coverage under it ceased to exist.

- (9) (a) Proof of mailing of renewal premium to the insurer or its agent, when authorized, on or before the due date, shall constitute a presumption of receipt pursuant to subsection (8) of this section.
  - (b) Proof of mailing of notice of cancellation or of intention not to renew or of reasons for cancellation or nonrenewal to the named insured at the address shown in the policy shall be sufficient proof of notice.
- (10) No insurer shall impose or request an additional premium higher than its standard premium for automobile insurance, cancel or refuse to issue a policy, or refuse to renew a policy solely because the insured or the applicant is an individual with a disability, so long as the disability does not substantially impair the person's mechanically assisted driving ability.
  - (11) When an automobile liability insurance policy is canceled other than for nonpayment of premium, or in the event of failure to renew a policy of automobile liability insurance, the insurer shall notify the named insured of his or her possible eligibility for automobile liability insurance coverage through the Kentucky automobile assigned risk plan. The notice shall accompany or be included in the notice of cancellation or the notice of intent not to renew. The notice shall also inform the insured that he or she may, within seven (7) days, request the commissioner in writing to determine whether there is sufficient reason to cancel or not to renew the policy. Upon receipt of a request from the insured, the commissioner may request additional information regarding the cancellation or nonrenewal of a policy from the insurer. An insurer shall respond to a request for information from the commissioner within seven (7) days from receipt of the request. Within fourteen (14) days of receiving a written request from the insured, the commissioner shall send his or her findings to the insurer and to the insured. If an insurer fails to respond to a request for additional information within seven (7) days from receipt of the request, the commissioner may make a finding in favor of the insured. When he or she sends findings, the commissioner shall notify both parties of their right to request a hearing under KRS 304.2-310(2)(b) and KRS Chapter 13B. The party requesting the hearing shall give the commissioner written confirmation of attendance at the hearing not more than five (5) days before, nor less than forty-eight (48) hours before, the scheduled hearing. If the requesting party fails to give the required written confirmation, the commissioner shall cancel the hearing.
  - (12) The reason for nonrenewal or cancellation shall accompany or be included in the notice of nonrenewal or cancellation.
  - (13) Except where the maximum limits of coverage have been purchased, every notice of

first renewal shall include a provision or be accompanied by a notice stating in substance that added uninsured motorists, underinsured motorists, and personal injury protection coverages may be purchased by the insured.

- (14) There shall be no liability on the part of and no cause of action of any nature shall arise against the commissioner or against any insurer, its authorized representative, its agents, its employees, or any firm, person, or corporation furnishing to the insurer information as to reasons for cancellation or nonrenewal, for any statement made by any of them in any written notice of cancellation or nonrenewal, or in any other communication, oral or written, specifying the reasons for cancellation or nonrenewal, or the providing of information pertaining thereto, or for statements made or evidence submitted at any hearings conducted in connection therewith.
- (15) (a) If the commissioner determines that an insurer has violated any provision of this section, the commissioner may require the insurer to:
1. Accept the application or written request for insurance coverage at a rate and on the same terms and conditions as are available to other risks similarly situated;
  2. Reinstate insurance coverage to the end of the policy period; or
  3. Continue insurance coverage at a rate and on the same terms and conditions as are available to other risks similarly situated.
- (b) As to any person who has violated any provisions of this section, the commissioner may:
1. Issue a cease and desist order to restrain the person from engaging in practices that violate this section;
  2. Suspend or revoke the person's license or certificate of authority;
  3. Assess a civil penalty against the person in accordance with KRS 304.99-020; or
  4. Take any combination of the actions specified in this paragraph.

**Effective:** July 12, 2012

**History:** Amended 2012 Ky. Acts ch. 116, sec. 7, effective July 12, 2012. -- Amended 2010 Ky. Acts ch. 24, sec. 1308, effective July 15, 2010. -- Amended 2000 Ky. Acts ch. 540, sec. 1, effective July 14, 2000. -- Amended 1998 Ky. Acts ch. 212, sec. 1, effective July 15, 1998; and ch. 483, sec. 23, effective July 15, 1998. -- Amended 1994 Ky. Acts ch. 219, sec. 1, effective July 15, 1994; and ch. 405, sec. 83, effective July 15, 1994. -- Amended 1990 Ky. Acts ch. 103, sec. 1, effective December 1, 1990. -- Amended 1988 Ky. Acts ch. 225, sec. 6, effective July 15, 1988. -- Amended 1986 Ky. Acts ch. 116, sec. 1, effective July 15, 1986. -- Amended 1984 Ky. Acts ch. 129, sec. 5, effective January 1, 1985. -- Amended 1982 Ky. Acts ch. 177, sec. 1, effective July 15, 1982. -- Amended 1980 Ky. Acts ch. 35, sec. 1, effective July 15, 1980. -- Created 1970 Ky. Acts ch. 301, subtit. 20, sec. 4, effective June 18, 1970.