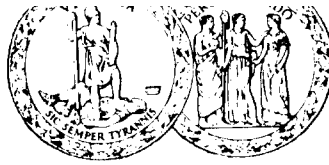


JOHN G. DAY
COMMISSIONER OF INSURANCE
JAMES W. NEWMAN
DEPUTY COMMISSIONER OF INSURANCE



BOX 1157
RICHMOND, VA. 23205
TELEPHONE (804) 786-3

STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

September 12, 1978

1978-10

TO: All Companies Licensed to Write Motor
Vehicle Liability Insurance in Virginia

FROM: John G. Day
Commissioner *JG Day*

SUBJECT: Notice of Refusal to Renew

Some insurance companies are issuing notices of refusal to renew in circumstances where none is required. This has caused considerable confusion on the part of some insureds and in some cases has even caused agents to lose clients. The purpose of this letter is to clarify the statutory requirements regarding notices of refusal to renew.

Section 38.1-381.5(e) of the Code of Virginia provides in part that a notice of refusal to renew a policy of automobile insurance from an insurer shall not be effective unless the required notice is delivered or mailed to the named insured by the insurer (1) at least 15 days prior to the date of termination for non-payment of premium or (2) at least 45 days prior to the date of termination for other situations.

There are, however, circumstances in which a policy will not continue in effect beyond the renewal date and a notice of refusal to renew is not required. These circumstances are provided for in Section 38.1-381.5(f). In particular, no notice is required if (1) an insurer or its agent manifests a willingness to renew the policy, (2) the named insured has notified the insurer or its agent in writing that he does not wish to renew the policy, or (3) the named insured, prior to the date of expiration, fails to accept the offer of the insurer to renew the policy.

A question has arisen regarding whether a notice of refusal to renew is required in the situation where an insured is being moved from a "standard" company to a "preferred" company or from one "standard" company to another "standard" company in the same group. In either situation, if the insured's present company or its agent manifests a willingness to renew the insured's policy by issuing a renewal notice or by some other acceptable means, no notice of refusal to renew is required. If the insured then accepts an offer of a policy in the new company, he will have by necessity failed to accept the offer of the present company to renew the original policy. Thus, two of the conditions in Section 38.1-381.5(f) will have been met.

In the situations described above, the policy issued by the new company is considered by the Bureau of Insurance to be a renewal policy with respect to Section 38.1-381.5(f)(3).

The requirements regarding notices of refusal to renew are the same in the situation where an agent seeks to move an insured to a company not in the same group as the insured's present company. So long as the insured's present company manifests a willingness to renew its policy, that company is not required to issue a notice of refusal to renew, even if the insured decides to accept the offer of another company.

Some companies have issued notices of refusal to renew less than 45 days before the expiration date and, in some cases, even after the expiration date. Such notice has no effect except to increase the company's costs and confuse policyholders.

Much of the misunderstanding will disappear if companies and agents stop viewing these notices as "non-renewal notices" with the implication that they have to be issued anytime a policy is not renewed. Instead, they should be viewed as "notices of refusal to renew," which is the term used in the Insurance Code. A notice of refusal to renew is issued only when a company is seeking to avoid renewing a policy.

Each insurance company should review its practices with respect to the issuance of notices of refusal to renew. Insurers should not issue such notices unless they serve the purpose set forth in Section 38.1-381.5.

Please let me know of any questions concerning this memorandum or the statutory provisions regarding notices of refusal to renew.

JGD:dj