

Committee Report

CONSENT CALENDAR

February 11, 2020

HOUSE OF REPRESENTATIVES

REPORT OF COMMITTEE

**The Committee on Commerce and Consumer Affairs to
which was referred HB 1375,**

**AN ACT relative to cancellations of commercial
insurance policies. Having considered the same, report
the same with the recommendation that the bill OUGHT
TO PASS.**

Rep. Christy Bartlett

FOR THE COMMITTEE

COMMITTEE REPORT

Committee:	Commerce and Consumer Affairs
Bill Number:	HB 1375
Title:	relative to cancellations of commercial insurance policies.
Date:	February 11, 2020
Consent Calendar:	CONSENT
Recommendation:	OUGHT TO PASS

STATEMENT OF INTENT

This bill was requested by the Insurance Department to bring the commercial policies in line with personal lines policies. Currently, any mid-term cancellation must have prior approval by the Insurance Commissioner. This bill would not change any of the restrictions or notice to the insured regarding mid-term cancellations, but would allow a cancellation to be processed, subject to a market conduct audit. Mid-term cancellation is used very rarely by insurance companies and occurs when there is a substantial change in hazard not contemplated by the original application. Only one other state requires prior approval and this would reduce some regulation.

Vote 19-1.

Rep. Christy Bartlett
FOR THE COMMITTEE

Original: House Clerk
Cc: Committee Bill File

CONSENT CALENDAR

Commerce and Consumer Affairs

HB 1375, relative to cancellations of commercial insurance policies. **OUGHT TO PASS.**

Rep. Christy Bartlett for Commerce and Consumer Affairs. This bill was requested by the Insurance Department to bring the commercial policies in line with personal lines policies. Currently, any mid-term cancellation must have prior approval by the Insurance Commissioner. This bill would not change any of the restrictions or notice to the insured regarding mid-term cancellations, but would allow a cancellation to be processed, subject to a market conduct audit. Mid-term cancellation is used very rarely by insurance companies and occurs when there is a substantial change in hazard not contemplated by the original application. Only one other state requires prior approval and this would reduce some regulation. **Vote 19-1.**

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HB 1375 relative to cancellations of commercial insurance policies

OUGHT TO PASS

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Vote: 19-1

Voting Sheets

HOUSE COMMITTEE ON COMMERCE AND CONSUMER AFFAIRS

EXECUTIVE SESSION on HB 1375

BILL TITLE: relative to cancellations of commercial insurance policies.

DATE: February 4, 2020

LOB ROOM: 302

MOTIONS: OUGHT TO PASS

Moved by Rep. Bartlett

Seconded by Rep. Herbert

Vote: 19-1

CONSENT CALENDAR: YES

Statement of Intent: Refer to Committee Report

Respectfully submitted,

Rep Joyce Weston, Acting Clerk



2020 SESSION

Commerce and Consumer Affairs

 Bill #: 1375 Motion: OTP AM #: _____ Exec Session Date: 2/4/2020

<u>Members</u>	<u>YEAS</u>	<u>Nays</u>	<u>NV</u>
Butler, Edward A. Chairman	✓		
Williams, Kermit R. Vice Chairman	✓		
Gidge, Kenneth N.	✓		
Abel, Richard M.	✓		
McBeath, Rebecca Susan Clerk	✓		
Bartlett, Christy D.	✓		
Herbert, Christopher J.	✓		
Van Houten, Constance	✓		
Fargo, Kristina M.	✓		
Indruk, Greg L.	✓		
Muscatel, Garrett D.	✓		
Weston, Joyce	✓		
Hunt, John B.	✓		
Sanborn, Laurie J.		✓	
Osborne, Jason M.	✓		
Costable, Michael	✓		
Plumer, John R.	✓		
Barnes, Arthur E.	✓		
Potucek, John M.	✓		
Warden, Mark	✓		
TOTAL VOTE:	19	1	

Sub-Committee Actions

HOUSE COMMITTEE ON COMMERCE AND CONSUMER AFFAIRS

SUBCOMMITTEE WORK SESSION on HB 1375

BILL TITLE: (New Title) relative to claims for medical monitoring.

DATE: February 3, 2020

Subcommittee Members: Reps. Butler, Bartlett, Fargo, Weston, Barnes and Potucek

Comments and Recommendations: Rep. Osborne for Rep. Hunt and Rep. Van Houten for Rep. Muscatel.

MOTIONS: OUGHT TO PASS

Moved by Rep. Rep. Bartlett

Seconded by Rep. Rep. Weston

Vote: 8-0

Respectfully submitted,

Rep. Kristina Fargo
Subcommittee Clerk

SUBCOMMITTEE WORK SESSION on HB 1375

BILL TITLE: relative to cancellations of commercial insurance policies.

DATE: 2/3/2020

Subcommittee Members: Reps. Butler, Hunt, Bartlett, Weston, Muscatel, Barnes, Potucek
and Fargo

Comments and Recommendations:

Rep Osborne for Hunt, Van Houten for Muscatel

MOTIONS: OTP OTP/A, ITL, Retained (1st Yr), Interim Study (2nd Yr)
(Please circle one)

Moved by Rep. Bartlett Secinded by Rep. Weston AM Vote: 8-0

Adoption of Amendment # _____

Moved by Rep. _____ Secinded by Rep. _____ Vote: _____

_____ Amendment Adopted _____ Amendment Failed

MOTIONS: OTP, OTP/A, ITL, Retained (1st Yr), Interim Study (2nd Yr)
(Please circle one)

Moved by Rep. _____ Secinded by Rep. _____ AM Vote: _____

Adoption of Amendment # _____

Moved by Rep. _____ Secinded by Rep. _____ Vote: _____

_____ Amendment Adopted _____ Amendment Failed

Respectfully submitted,

Rep. _____
Subcommittee Chairman/Clerk

Hearing Minutes

HOUSE COMMITTEE ON COMMERCE AND CONSUMER AFFAIRS

PUBLIC HEARING ON HB 1375

BILL TITLE: relative to cancellations of commercial insurance policies.

DATE: January 16, 2020

LOB ROOM: 302

Time Public Hearing Called to Order: 9:20 a.m.

Time Adjourned: 9:45 a.m.

Committee Members: Reps. Butler, Williams, Abel, Bartlett, Van Houten, Indruk, Weston, Hunt, Plumer, Barnes, Potucek and Warden

Bill Sponsors:

Rep. Hunt

Sen. French

TESTIMONY

* Use asterisk if written testimony and/or amendments are submitted.

*1. **Rep. Hunt** (Prime Sponsor) @ the request of Insurance Department

2. Frank Cardamone - NHID - Supports Changes to HB 417C _ _

Question: **Rep Butler** - Department Audit?

Answer: Would do within the first year.

Question: **Rep. Bartlett** - Do commissions need to approve?

Answer: Yes

Question: **Rep. Williams** - How fair is it to customers to cancel midterm.

Answer: Needs to be substantial.

Question: **Rep. Williams** - What about insured _____ control over?

Answer: Happens rarely _____

3. George Roussos - Supports

When business activity changes NH is the only state that requires commissioner to approve.

Rep Bartlett - First 60 days cancellation is allowed.

Question: **Rep Potucek** - Negotiation possible?

Answer: Typically, yes.

Rep Williams - Unfair to insured. Requests sample contract.

George Roussos - Disagrees, contract presumed is what is stated. For re-insurance 60 days.

HOUSE COMMITTEE ON COMMERCE AND CONSUMER AFFAIRS

PUBLIC HEARING ON HB 1375

BILL TITLE: relative to cancellations of commercial insurance policies.

DATE: 1/16/20

ROOM: 302

Time Public Hearing Called to Order: 9:20
~~9:00~~

Time Adjourned: 9:45

(please circle if present)

Committee Members: Reps. Butler, Williams, McBeath, Gidge, Abel, Bartlett, Herbert, Van Houten, Fargo, Indruk, Muscatel, Weston, Hunt, Sanborn, J. Osborne, Costable, Plumer, Barnes, Potucek and Warden

Bill Sponsors:

Rep. Hunt

Sen. French

TESTIMONY

* Use asterisk if written testimony and/or amendments are submitted.

① Rep. Hunt (prime sponsor) @ request of Insurance Dept.
written testimony

② Frank Cardomone, ^{MHFP} ~~DOF~~, cancellation standards
change to 417C - supports - house keeping item -

Q. Butler - dept. advised? A. would do w/in first year.

Q. Bartlett, commissioners need to approve? A. Yes

Q. Williams, how fair to customer to cancel mid term? A. Needs to be substantial
↳ what about insured has new contract? A. Happen ~~as soon as~~ 12/yr.

③ George Roussos, supports: when business activity changes -
only 5 states that requires commissioner to approve

Q. Bartlett - 1st 60 days cancellation allowed.

Q. Potucek - Negotiation possible A. Typically yes.

Q. Williams - unfair to insured ~~on~~
requests sample contract A. Disagree -
Contract presumed
is what is stated
w/ periods for reinsurance 60 days

SIGN UP SHEET

FOR THE MEETING ON [illegible]

NAME

ADDRESS

PHONE NUMBER (if available)

DATE

TIME

WILL

1234 Main St

1234

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1234 1234

Testimony

2

**Introductory Speech for HB 1375
relative to cancellations of commercial insurance policies**

Good morning Commerce Committee members,

I am introducing HB 1375 at the request of the Insurance Department. This bill will better define what constitutes a substantial increase in risk for commercial policies, to allow for mid-term cancellations when increased risks are present. The bill also removes the mandate for prior Commissioner approval for cancellations under these circumstances. These cancellations are typically reviewed as market conduct issues, similar to how all other policy cancellations are handled.

Frank Cardamone

~~Emily Doherty~~ is here from the Insurance Department to answer any questions you may have.

Thank you for your consideration of this legislation.



The State of New Hampshire Insurance Department

21 South Fruit Street, Suite 14
Concord, NH 03301
(603) 271-2261 Fax (603) 271-1406
TDD Access: Relay NH 1-800-735-2964

Alexander K. Feldvebel
Acting Commissioner

February 3, 2020

Testimony of the New Hampshire Insurance Department for HB 1375

Dear Committee Members:

The bill brings commercial mid-term cancellation for substantial increase in the risk into alignment with all other New Hampshire cancellation standards by changing it front-end approval system to a back-end market conduct issue. The Bill also clarifies that the increase in hazard must occur after the policy is issued or renewed.

417-C:1 Grounds for Cancellation. –

I. *A notice of cancellation of a policy, to which RSA 417-C:2 applies, shall be effective only if it is based on one or more of the following reasons:*

- (a) Nonpayment of a premium, including nonpayment of any additional premiums due from an audit conducted in accordance with law for the prior policy term; or
- (b) Fraud or material misrepresentation affecting the policy or in the presentation of a claim thereunder, or violation of any of the terms or conditions of the policy; or
- (c) ~~Substantial increase in hazard; provided that cancellation for this reason shall be effective only after prior approval of the commissioner.~~ **A change in the risk that substantially increases a hazard insured against after insurance coverage has been issued or renewed.**

II. This section shall not apply to any policy or coverage which has been in effect less than 60 days at the time notice of cancellation is mailed or delivered by the insurer unless it is a renewal policy.

III. This section shall not apply to nonrenewal.

The above change will not lessen protections for companies as to mid-term cancellations. Any midterm cancellation could be reviewed by the Department by way of the complaint process and the company would be ordered to reverse any illegal cancellations. This “market conduct” type cancellation review is used in all states for commercial midterm cancellation save for New Hampshire and Vermont.

As with all other reasons for cancellation, the market conduct model works as is intended to review insurer decisions and make appropriate corrections.

There is no pre-approval standard for personal lines, which allows mid-term cancellations for reasons including:

- RSA 417-B:3, IV – Discovery of grossly negligent acts or omissions by the named insured in pursuing a claim under the policy
- RSA 417-B:3, V – Physical changes in the insured property which result in the property becoming uninsurable.

Again, the Department has not found that there is any systemic problem with handling these types of company actions as a market conduct role. And there is more regulatory focus placed on personal lines coverage which is operating perfectly fine with a market conduct approach.

Lastly, the Department plans to do an audit after year to assess compliance with the market conduct system. The Department will order any necessary corrective action should there be any issues.

Bill as
Introduced

HB 1375 - AS INTRODUCED

2020 SESSION

20-2698

01/08

HOUSE BILL

1375

AN ACT

relative to cancellations of commercial insurance policies.

SPONSORS:

Rep. Hunt, Ches. 11; Sen. French, Dist 7

COMMITTEE:

Commerce and Consumer Affairs

ANALYSIS

This bill clarifies grounds for cancellation of commercial insurance.

This bill is a request of the insurance department.

Explanation:

Matter added to current law appears in *bold italics*.

Matter removed from current law appears [~~in brackets and struck through.~~]

Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty

AN ACT relative to cancellations of commercial insurance policies.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 1 Cancellation or Refusal to Renew Commercial Insurance; Grounds for Cancellation. RSA 417-
2 C:1, I(c) is repealed and reenacted to read as follows:

3 (c) A change in the risk that substantially increases a hazard insured against after
4 insurance coverage has been issued or renewed.

5 2 Effective Date. This act shall take effect 60 days after its passage.