

MARKET BULLETIN

From	Director, Worldwide Markets (extn 6677)
Date	22 January 2007
Reference	Y3956
Subject	Cancellation and non-renewal requirements in the state of New York
Subject areas	<ol style="list-style-type: none">1. Applicability of cancellation and non-renewal requirements to excess/surplus lines insurers2. New minimum notification requirements to be included in certain homeowners' policies on property located in an area served by a market assistance program.
Attachments	
Action points	Lloyd's syndicates to take note and liaise with New York excess/surplus lines brokers to include required language.
Deadlines	None

Purpose of bulletin

To remind the market of the extent to which cancellation and non-renewal laws apply to excess/surplus lines business in New York, and to inform of recent changes to those laws. This bulletin will be of interest to those transacting business in the state of New York.

Background

Cancellation and non-renewal requirements for New York are detailed in the New York State Insurance Law. Cancellation and non-renewal requirements for commercial lines policies are found in section 3426 of the insurance law. This section contains a specific exemption for excess/surplus lines policies.

Requirements relating to cancellation and non-renewal for personal lines are found in section 3425 of the insurance law. This section of the law is silent on whether it applies to excess/surplus lines policies, and therefore it is assumed that the law does do so. New York Insurance Department's Office of General Counsel has issued opinions to this effect, most recently on October 25, 2006. The Office of General Counsel's Opinion issued on that date says: "Except as provided in N.Y. Ins. Law section 3425, an insurer, including an excess line insurer, may not cancel or amend the terms of a personal lines insurance policy

except under specific circumstances". [A full copy of the Office of General Counsel Opinion is available here.](#)

Recent changes

There have been recent changes to section 3425, containing the cancellation and non-renewal requirements for personal lines insurance. Chapter 162 of the Laws of 2006, effective November 23, 2006, amends section 3425(e) to require notices of cancellation, non-renewal, and conditional non-renewal on properties in certain geographical areas of New York contain language about the availability of coverage through a market assistance program or the New York Property Insurance Underwriting Association.

Chapter 162 also added a new section 5403(d) of the Insurance Law, which directs the New York Property Insurance Underwriting Association (NYPIUA) to notify policyholders that may be eligible for coverage in the market assistance program of the availability of coverage.

Requirements on insurers

The Excess Line Association of New York (ELANY) has issued a bulletin to its members recommending that excess/surplus lines brokers encourage excess/surplus lines insurers to include the new disclosure language in all homeowners' notices of cancellation, non-renewal and conditional non-renewal. If appropriate language is not included then such notices of cancellation or non-renewal may be invalid. [A copy of the ELANY bulletin is available here.](#)

Language to be included on notices

The amendment to section 3425(e) applies to homeowners' policies on properties located in areas served by a market assistance program, such as the Coastal Market Assistance Program (CMAP). It says that notices of cancellation, non-renewal and conditional non-renewal shall conform with standards established by the Superintendent in Regulation. Such standards will require that the notice include, at a minimum: notification of the possibility of eligibility for coverage through a market assistance program or NYPIUA; information on how to apply; and such other information as required by the Superintendent. (To date, the Superintendent has not passed such Regulation).

Currently, the CMAP is the only market assistance program established by the Superintendent for the purpose of facilitating placement of homeowners' insurance. The administrator of CMAP is NYPIUA.

The following is the contact information for NYPIUA and CMAP:

NYPIUA
100 William Street
New York
New York 10038
Telephone (212) 208-9700
<http://www.nypiua.com/>

Further information

It is recommended that syndicates and where appropriate, their coverholders, liaise with their New York excess/surplus lines brokers to ensure that the correct information is included in relevant New York homeowners' policies.

For queries relating to this bulletin please contact:

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This bulletin has been sent to active underwriters and the compliance officers of managing agents and Lloyd's brokers.

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