

FAQs: Executive Order 11-12 and DIFP Bulletin 11-03

General

Q1. Does the Executive Order apply to all lines of business?

A1. Yes. The Executive Order applies to all lines of insurance and all insurance companies doing business in Missouri.

Q2. Must an insured take affirmative steps to benefit from the Executive Order?

A2. No. The Executive Order applies to all property and lives insured in Jasper or Newton counties.

Specific Provisions

1. Coverage for insureds in Jasper and Newton counties shall continue under all insurance policies in effect immediately preceding the severe storms occurring on May 22, 2011, and shall remain in effect until such time as Executive Order 11-12 is terminated.

Q1.a. Is a company required to reverse nonrenewals? If so, can a company cancel coverage once the emergency is over?

Q1.b. A commercial cancellation notice was sent out 60 days prior to the cancellation date. The cancellation is effective after May 22, 2011 (during the emergency period). Must the cancellation be rescinded until after the emergency terminates?

A1. Any cancellation or nonrenewal that was scheduled to go into effect during the emergency period must wait until the emergency terminates. After the emergency, a company may cancel in accordance with statutory cancellation provisions.

Q2. Coverage was scheduled to end during the pendency of the emergency.

Q2.a. Must coverage be extended to the end of the emergency?

A2.a. Yes. The cancellation must be deferred to the end of the emergency. The company must provide extended coverage or provide a grace period during the pendency of the emergency.

Q2.b. May the company bill for the additional premium for the coverage extension?

A2.b. Yes.

Q3. Will a company be able to cancel a policy where the company does not receive the premium payment by the end of the emergency period, or will the company be required to issue another cancellation notice providing legal notice?

A3. The order specifies that coverage will continue and remain in effect until the order is lifted.

2. Any rate increase for policies in Jasper and Newton counties with an effective date on or after May 22, 2011, shall be deferred during the pendency of this emergency. The coverage shall remain in effect at the previously established rate.

Q1. Does this provision apply to scheduled rate changes or rate increases (i.e., prior at-fault accidents, changes in age, decrease of “sliding” discount amount, etc)?

A1. No. If the insured was scheduled to experience a rate increase at renewal (even if that individual’s renewal falls during the emergency period) based on a filed rate increase that went into effect for all such policies prior to May 22, 2011, the new, higher rate can go into effect. Only rate increases that were filed to be effective during the emergency period must be deferred or postponed until the emergency terminates.

Q2. Does this provision apply to rate filings effective prior to May 22, 2011, even though individual policies might not be affected or renewed until May 22, 2011, or later?

A2. No. If the rate was filed to be effective prior to May 22, 2011, then the new rate would be in effect, even if the policy renews during the emergency period. Only rate increases that were filed to be effective during the emergency period must be deferred or postponed until the emergency terminates.

Q3. Commercial auto policy renews on July 23, 2011, with an increased rate that was previously filed and set to be effective for all policies issued April 1, 2011, or after. Insured would normally receive a renewal notice around June 18, 2011. Understanding that the emergency period may be extended past June 20, 2011, can the company collect the increased premium when that policy renews in July?

A3. The increased rate could go into effect because the increased rate was already filed to be effective on that policy, and the company may bill for that increased premium.

Q4. The company currently has a rate effective date of June 2, 2011, for its renewal policies. Must any scheduled rate increase for those policies that renew from May 22, 2011, until the end of the emergency, be implemented at the next policy renewal date, or can those policies be endorsed to reflect the rate change after the emergency period expires?

A4. The rate increase that was filed with an effective date during the emergency period must be deferred or postponed until the emergency terminates. The company can implement the rate change at renewal, or the policies can be endorsed to reflect the rate change with the effective date beginning with the first day that the order is lifted, but not retroactively to the renewal date. As long as the company takes the necessary steps to implement the terms of the Executive Order and fully documents its actions, the Department will not take a position or give advice as to how companies decide to do so.

Q5. What about new business, or what if the policyholder adds a driver to an existing policy? Is that rate increase effective?

A5. The Executive Order does not apply to new business rates. Adding additional coverage would be like new business, and the Order would not apply. The existing coverage may experience a rate increase, however, as explained above, depending on the rate filing effective date.

If you have questions or concerns, please call Carolyn Kerr at 573-751-2619 or e-mail her at Carolyn.Kerr@insurance.mo.gov.