

1959--A

Cal. No. 52

2013-2014 Regular Sessions

I N S E N A T E

(PREFILED)

January 9, 2013

Introduced by Sen. GOLDEN -- read twice and ordered printed, and when printed to be committed to the Committee on Insurance -- reported favorably from said committee, ordered to first report, amended on first report, ordered to a second report, and to be reprinted as amended, retaining its place in the order of second report

AN ACT to amend the insurance law and the vehicle and traffic law, in relation to permitting an insurer to rescind or retroactively cancel a policy in certain circumstances

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1 Section 1. The insurance law is amended by adding a new section 3455
2 to read as follows:
3 S 3455. CANCELLATION OF POLICY. (A) AN INSURER MAY, WITHIN THE FIRST
4 SIXTY DAYS, RESCIND OR RETROACTIVELY CANCEL TO THE INCEPTION A NEWLY
5 ISSUED AUTOMOBILE INSURANCE POLICY SUBJECT TO PARAGRAPH ONE OF
6 SUBSECTION (A) OF SECTION THREE THOUSAND FOUR HUNDRED TWENTY-FIVE OF
7 THIS ARTICLE, A NEWLY ISSUED COMMERCIAL AUTOMOBILE INSURANCE POLICY
8 SUBJECT TO SECTION THREE THOUSAND FOUR HUNDRED TWENTY-SIX OF THIS ARTI-
9 CLE, OR A POLICY ISSUED PURSUANT TO ANY PLAN ESTABLISHED UNDER ARTICLE
10 FIFTY-THREE OF THIS CHAPTER, IF THE INITIAL PREMIUM PAYMENT IS NOT
11 HONORED BY A FINANCIAL INSTITUTION DUE TO THE NONEXISTENCE OR THE UNAU-
12 THORIZED USE OF A BANK ACCOUNT, OR THE INITIAL PREMIUM PAYMENT IS DENIED
13 BY A CREDIT CARD COMPANY DUE TO THE UNAUTHORIZED USE OF A CREDIT CARD
14 ACCOUNT. THIS SECTION SHALL NOT APPLY TO POLICIES REQUIRED UNDER ARTICLE
15 EIGHT OF THE VEHICLE AND TRAFFIC LAW.
16 (B) A PERSON WHO IS INJURED DURING THIS PERIOD AND WHO WOULD ORDINAR-
17 ILY BE COVERED UNDER THE INSURED'S POLICY HAD IT NOT BEEN CANCELED
18 PURSUANT TO SUBSECTION (A) OF THIS SECTION, SHALL BE ENTITLED TO RECOVER
19 UNDER HIS OR HER OWN POLICY SUBJECT TO THE TERMS AND CONDITIONS OF THE
20 CONTRACT, OR IF THE INJURED PERSON IS UNINSURED, THEY SHALL BE ENTITLED

EXPLANATION--Matter in *ITALICS* (underscored) is new; matter in brackets
[] is old law to be omitted.

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1 TO RECOVER UNDER THE MOTOR VEHICLE ACCIDENT INDEMNIFICATION CORPORATION,
2 PROVIDED SUCH PERSON DID NOT PARTICIPATE IN ANY FRAUDULENT ACTIVITY,
3 INCLUDING, BUT NOT LIMITED TO, AN ACCIDENT STAGED TO DEFRAUD AN INSURER.
4 THE MOTOR VEHICLE ACCIDENT INDEMNIFICATION CORPORATION MAY NOT SUBROGATE
5 ITS CLAIM AGAINST THE RESCINDING OR CANCELLING INSURER.

6 S 2. Paragraph 2 of subsection (d) of section 3420 of the insurance
7 law, as amended by chapter 388 of the laws of 2008, is amended to read
8 as follows:

9 (2) If under a liability policy issued or delivered in this state, an
10 insurer shall disclaim liability or deny coverage INCLUDING A DISCLAIMER
11 OR DENIAL BECAUSE THE INSURER RESCINDED OR CANCELLED COVERAGE PURSUANT
12 TO SECTION THREE THOUSAND FOUR HUNDRED FIFTY-FIVE OF THIS ARTICLE, for
13 death or bodily injury arising out of a motor vehicle accident, INCLUD-
14 ING ANY CLAIM FOR PERSONAL INJURIES UNDER AN UNINSURED MOTORIST ENDORSE-
15 MENT BY ANY OCCUPANT OF A MOTOR VEHICLE OR OTHER PERSON INVOLVED IN AN
16 ACCIDENT THAT WAS STAGED TO DEFRAUD AN INSURER WHO IS WITHOUT KNOWLEDGE
17 OF THE STAGING OR FRAUDULENT INTENT OF THE ACCIDENT, or any other type
18 of accident occurring within this state, it shall give written notice as
19 soon as is reasonably possible of such disclaimer of liability or denial
20 of coverage to the insured and the injured person or any other claimant.

21 S 3. Paragraph 1 of subsection (f) of section 3420 of the insurance
22 law, as amended by chapter 305 of the laws of 1995, is amended to read
23 as follows:

24 (1) No policy insuring against loss resulting from liability imposed
25 by law for bodily injury or death suffered by any natural person arising
26 out of the ownership, maintenance and use of a motor vehicle by the
27 insured shall be issued or delivered by any authorized insurer upon any
28 motor vehicle then principally garaged or principally used in this state
29 unless it contains a provision whereby the insurer agrees that it will
30 pay to the insured, as defined in such provision, subject to the terms
31 and conditions set forth therein to be prescribed by the board of direc-
32 tors of the Motor Vehicle Accident Indemnification Corporation and
33 approved by the superintendent, all sums, not exceeding a maximum amount
34 or limit of twenty-five thousand dollars exclusive of interest and
35 costs, on account of injury to and all sums, not exceeding a maximum
36 amount or limit of fifty thousand dollars exclusive of interest and
37 costs, on account of death of one person, in any one accident, and the
38 maximum amount or limit, subject to such limit for any one person so
39 injured of fifty thousand dollars or so killed of one hundred thousand
40 dollars, exclusive of interest and costs, on account of injury to, or
41 death of, more than one person in any one accident, which the insured or
42 his legal representative shall be entitled to recover as damages from an
43 owner or operator of an uninsured motor vehicle, unidentified motor
44 vehicle which leaves the scene of an accident, a motor vehicle regis-
45 tered in this state as to which at the time of the accident there was
46 not in effect a policy of liability insurance, A MOTOR VEHICLE FOR WHICH
47 THE POLICY OF INSURANCE HAS BEEN RESCINDED OR CANCELLED PURSUANT TO
48 SECTION THREE THOUSAND FOUR HUNDRED FIFTY-FIVE OF THIS ARTICLE, a stolen
49 vehicle, A MOTOR VEHICLE INVOLVED IN AN ACCIDENT WHICH WAS STAGED TO
50 DEFRAUD AN INSURER, EXCEPT SUCH VEHICLE OWNED AND OPERATED BY THE PERPE-
51 TRATOR OR PERPETRATORS OF SUCH ACCIDENT, a motor vehicle operated with-
52 out permission of the owner, an insured motor vehicle where the insurer
53 disclaims liability or denies coverage or an unregistered vehicle
54 because of bodily injury, sickness or disease, including death resulting
55 therefrom, sustained by the insured, caused by accident occurring in
56 this state and arising out of the ownership, maintenance or use of such

1 motor vehicle. No payment for non-economic loss shall be made under such
2 policy provision to a covered person unless such person has incurred a
3 serious injury, as such terms are defined in section five thousand one
4 hundred two of this chapter. Such policy shall not duplicate any element
5 of basic economic loss provided for under article fifty-one of this
6 chapter. No payments of first party benefits for basic economic loss
7 made pursuant to such article shall diminish the obligations of the
8 insurer under this policy provision for the payment of non-economic loss
9 and economic loss in excess of basic economic loss. Notwithstanding any
10 inconsistent provisions of section three thousand four hundred twenty-
11 five of this article, any such policy which does not contain the afore-
12 said provisions shall be construed as if such provisions were embodied
13 therein.

14 S 4. Subparagraph (A) of paragraph 2 of subsection (f) of section 3420
15 of the insurance law, as separately amended by chapters 547 and 568 of
16 the laws of 1997, is amended to read as follows:

17 (A) Any such policy shall, at the option of the insured, also provide
18 supplementary uninsured/underinsured motorists insurance for bodily
19 injury, in an amount up to the bodily injury liability insurance limits
20 of coverage provided under such policy, subject to a maximum of two
21 hundred fifty thousand dollars because of bodily injury to or death of
22 one person in any one accident and, subject to such limit for one
23 person, up to five hundred thousand dollars because of bodily injury to
24 or death of two or more persons in any one accident, or a combined
25 single limit policy of five hundred thousand dollars because of bodily
26 injury to or death of one or more persons in any one accident. Provided
27 however, an insurer issuing such policy, in lieu of offering to the
28 insured the coverages stated above, may provide supplementary
29 uninsured/underinsured motorists insurance for bodily injury, in an
30 amount up to the bodily injury liability insurance limits of coverage
31 provided under such policy, subject to a maximum of one hundred thousand
32 dollars because of bodily injury to or death of one person in any one
33 accident and, subject to such limit for one person, up to three hundred
34 thousand dollars because of bodily injury to or death of two or more
35 persons in any one accident, or a combined single limit policy of three
36 hundred thousand dollars because of bodily injury to or death of one or
37 more persons in any one accident, if such insurer also makes available a
38 personal umbrella policy with liability coverage limits up to at least
39 five hundred thousand dollars which also provides coverage for supple-
40 mentary uninsured/underinsured motorists claims. Supplementary
41 uninsured/underinsured motorists insurance shall provide coverage, in
42 any state or Canadian province, if the limits of liability under all
43 bodily injury liability bonds and insurance policies of another motor
44 vehicle liable for damages INCLUDING, BUT NOT LIMITED TO A VEHICLE FOR
45 WHICH THE POLICY OF INSURANCE HAS BEEN RESCINDED OR CANCELLED PURSUANT
46 TO SECTION THREE THOUSAND FOUR HUNDRED FIFTY-FIVE OF THIS ARTICLE, A
47 MOTOR VEHICLE INVOLVED IN AN ACCIDENT WHICH WAS STAGED TO DEFRAUD AN
48 INSURER, EXCEPT SUCH VEHICLE OWNED AND OPERATED BY THE PERPETRATOR OR
49 PERPETRATORS OF SUCH ACCIDENT, are in a lesser amount than the bodily
50 injury liability insurance limits of coverage provided by such policy.
51 Upon written request by any insured covered by supplemental
52 uninsured/underinsured motorists insurance or his duly authorized repre-
53 sentative and upon disclosure by the insured of the insured's bodily
54 injury and supplemental uninsured/underinsured motorists insurance
55 coverage limits, the insurer of any other owner or operator of another
56 motor vehicle against which a claim has been made for damages to the

1 insured shall disclose, within forty-five days of the request, the bodily
2 injury liability insurance limits of its coverage provided under the
3 policy or all bodily injury liability bonds. The time of the insured to
4 make any supplementary uninsured/underinsured motorist claim, shall be
5 tolled during the period the insurer of any other owner or operator of
6 another motor vehicle that may be liable for damages to the insured,
7 fails to so disclose its coverage. As a condition precedent to the obligation
8 of the insurer to pay under the supplementary
9 uninsured/underinsured motorists insurance coverage, the limits of
10 liability of all bodily injury liability bonds or insurance policies
11 applicable at the time of the accident shall be exhausted by payment of
12 judgments or settlements.

13 S 5. Paragraph 1 of subsection (b) of section 5103 of the insurance
14 law is amended to read as follows:

15 (1) Intentionally causes his own injury, EXCEPT ANY OCCUPANT OF A
16 MOTOR VEHICLE OR OTHER PERSON INVOLVED IN AN ACCIDENT STAGED TO DEFRAUD
17 AN INSURER WHO IS WITHOUT KNOWLEDGE OF THE STAGING OR FRAUDULENT INTENT
18 OF SUCH ACCIDENT.

19 S 6. Paragraph 2 of subsection (a) of section 5103 of the insurance
20 law is amended to read as follows:

21 (2) The named insured and members of his household, other than occupants
22 of a motorcycle, for loss arising out of the use or operation of
23 (i) an uninsured motor vehicle or motorcycle, OR A VEHICLE WHOSE COVERAGE
24 IS RESCINDED OR CANCELLED PURSUANT TO SECTION THREE THOUSAND FOUR
25 HUNDRED FIFTY-FIVE OF THIS CHAPTER, within the United States, its territories
26 or possessions, or Canada; and (ii) an insured motor vehicle or
27 motorcycle outside of this state and within the United States, its
28 territories or possessions, or Canada.

29 S 7. Paragraph (a) of subdivision 1 of section 313 of the vehicle and
30 traffic law, as amended by chapter 569 of the laws of 1981, is amended
31 to read as follows:

32 (a) [No] EXCEPT AS PROVIDED FOR IN SECTION THREE THOUSAND FOUR HUNDRED
33 FIFTY-FIVE OF THE INSURANCE LAW, NO contract of insurance for which a
34 certificate of insurance has been filed with the commissioner shall be
35 terminated by cancellation by the insurer until at least twenty days
36 after mailing to the named insured at the address shown on the policy a
37 notice of termination by regular mail, with a certificate of mailing,
38 properly endorsed by the postal service to be obtained, except where the
39 cancellation is for non-payment of premium in which case fifteen days
40 notice of cancellation by the insurer shall be sufficient, provided,
41 however, if another insurance contract has been procured, such other
42 insurance contract shall, as of its effective date and hour, terminate
43 the insurance previously in effect with respect to any motor vehicles
44 designated in both contracts. No contract of insurance for which a
45 certificate of insurance has been filed with the commissioner in which a
46 natural person is the named insured and the motor vehicle is used
47 predominantly for non-business purposes shall be non-renewed by an
48 insurer unless at least forty-five, but not more than sixty days in
49 advance of the renewal date the insurer mails or delivers to the named
50 insured at the address shown on the policy a written notice of its
51 intention not to renew. No such contract of insurance in which the named
52 insured is not a natural person or the motor vehicle is used predominantly
53 for business purposes shall be non-renewed by an insurer unless
54 at least twenty days in advance of the renewal date the insurer mails or
55 delivers to the named insured at the address shown on the policy a written
56 notice of its intention not to renew. All notices of non-renewal

1 shall be sent by regular mail with a certificate of mailing, properly
2 endorsed by the postal service to be obtained. Time of the effective
3 date and hour of termination stated in the notice shall become the end
4 of the policy period. Every notice or acknowledgement of termination for
5 any cause whatsoever sent to the insured shall include in type of which
6 the face shall not be smaller than twelve point a statement that proof
7 of financial security is required to be maintained continuously through-
8 out the registration period and a notice prescribed by the commissioner
9 indicating the punitive effects of failure to maintain continuous proof
10 of financial security and actions which may be taken by the insured to
11 avoid such punitive effects.

12 S 8. Paragraphs 6 and 7 of subsection (b) of section 5201 of the
13 insurance law are amended and a new paragraph 8 is added to read as
14 follows:

15 (6) insured motor vehicles where the insurer disclaims liability or
16 denies coverage, [and]

17 (7) unregistered motor vehicles[.], AND

18 (8) AN ACCIDENT STAGED TO DEFRAUD AN INSURER.

19 S 9. This act shall take effect two hundred seventy days after it
20 shall have become a law.