

8100

2015-2016 Regular Sessions

I N A S S E M B L Y

June 8, 2015

Introduced by M. of A. CRESPO -- read once and referred to the Committee on Insurance

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 THIRTY DAYS, RESCIND OR RETROACTIVELY CANCEL TO THE INCEPTION A NEWLY
5 ISSUED AUTOMOBILE INSURANCE POLICY SUBJECT TO SECTIONS THREE THOUSAND
6 FOUR HUNDRED TWENTY-FIVE OR THREE THOUSAND FOUR HUNDRED TWENTY-SIX OF
7 THIS ARTICLE, IF THE INITIAL PREMIUM PAYMENT IS NOT HONORED BY A FINAN-
8 CIAL INSTITUTION DUE TO THE NONEXISTENCE OF A BANK ACCOUNT. FOR THE
9 PURPOSES OF THIS SECTION "NONEXISTENCE OF A BANK ACCOUNT" SHALL MEAN
10 THAT NO ACCOUNT WITH THE NAME AND ACCOUNT NUMBER PROVIDED WAS EVER IN
11 EXISTENCE AND SHALL NOT INCLUDE ACCOUNTS THAT MAY BE CLOSED OR OTHERWISE
12 INACTIVE. IN THE EVENT THAT SUCH INITIAL PAYMENT IS NOT HONORED BY A
13 FINANCIAL INSTITUTION DUE TO THE NONEXISTENCE OF A BANK ACCOUNT, THE
14 INSURER SHALL NOTIFY THE POLICYHOLDER BY CERTIFIED AND FIRST CLASS MAIL
15 THAT UNLESS THE POLICYHOLDER REMITS PAYMENT TO THE INSURER WITHIN TEN
16 BUSINESS DAYS, THE POLICY MAY BE RESCINDED OR CANCELLED RETROACTIVELY TO
17 THE INCEPTION OF THE POLICY. HOWEVER, IF PAYMENT IS REMITTED AFTER THE
18 TENTH BUSINESS DAY AND THE INSURED HAS NOT BEEN NOTIFIED THAT THE POLICY
19 HAS BEEN RESCINDED OR RETROACTIVELY CANCELED, THE RIGHT TO RESCIND OR
20 RETROACTIVELY CANCEL SUCH POLICY PURSUANT TO THIS SECTION SHALL BE
21 DEEMED TO HAVE BEEN WAIVED AND SUCH POLICY SHALL REMAIN IN EFFECT. THIS
22 SECTION SHALL NOT APPLY TO POLICIES REQUIRED UNDER ARTICLE EIGHT OF THE
23 VEHICLE AND TRAFFIC LAW.

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

LBD11570-01-5

1 (B) A PERSON WHO IS INJURED DURING THIS PERIOD AND WHO WOULD ORDINAR-
2 ILY BE COVERED UNDER THE INSURED'S POLICY HAD IT NOT BEEN CANCELED
3 PURSUANT TO SUBSECTION (A) OF THIS SECTION, SHALL BE ENTITLED TO RECOVER
4 UNDER HIS OR HER OWN POLICY SUBJECT TO THE TERMS AND CONDITIONS OF THE
5 CONTRACT, OR IF THE INJURED PERSON IS UNINSURED, THEY SHALL BE ENTITLED
6 TO RECOVER UNDER THE MOTOR VEHICLE ACCIDENT INDEMNIFICATION CORPORATION,
7 PROVIDED SUCH PERSON DID NOT PARTICIPATE IN ANY FRAUDULENT ACTIVITY,
8 INCLUDING, BUT NOT LIMITED TO, AN ACCIDENT STAGED TO DEFRAUD AN INSURER.
9 THE MOTOR VEHICLE ACCIDENT INDEMNIFICATION CORPORATION MAY NOT SUBROGATE
10 ITS CLAIM AGAINST THE RESCINDING INSURER.

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

14 (2) If under a liability policy issued or delivered in this state, an
15 insurer shall disclaim liability [or], deny coverage, OR RESCIND COVER-
16 AGE PURSUANT TO SECTION THREE THOUSAND FOUR HUNDRED FIFTY-FIVE OF THIS
17 ARTICLE, for death or bodily injury arising out of a motor vehicle acci-
18 dent, INCLUDING ANY CLAIM FOR PERSONAL INJURIES UNDER AN UNINSURED
19 MOTORIST ENDORSEMENT BY ANY OCCUPANT OF A MOTOR VEHICLE OR OTHER PERSON
20 INVOLVED IN AN ACCIDENT WHICH WAS STAGED TO DEFRAUD AN INSURER WHO IS
21 WITHOUT KNOWLEDGE OF THE STAGING OR FRAUDULENT INTENT OF THE ACCIDENT,
22 or any other type of accident occurring within this state, it shall give
23 written notice as soon as is reasonably possible of such disclaimer of
24 liability or denial of coverage to the insured and the injured person or
25 any other claimant.

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

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

1 out permission of the owner, an insured motor vehicle where the insurer
2 disclaims liability or denies coverage or an unregistered vehicle
3 because of bodily injury, sickness or disease, including death resulting
4 therefrom, sustained by the insured, caused by accident occurring in
5 this state and arising out of the ownership, maintenance or use of such
6 motor vehicle. No payment for non-economic loss shall be made under such
7 policy provision to a covered person unless such person has incurred a
8 serious injury, as such terms are defined in section five thousand one
9 hundred two of this chapter. Such policy shall not duplicate any element
10 of basic economic loss provided for under article fifty-one of this
11 chapter. No payments of first party benefits for basic economic loss
12 made pursuant to such article shall diminish the obligations of the
13 insurer under this policy provision for the payment of non-economic loss
14 and economic loss in excess of basic economic loss. Notwithstanding any
15 inconsistent provisions of section three thousand four hundred twenty-
16 five of this article, any such policy which does not contain the afore-
17 said provisions shall be construed as if such provisions were embodied
18 therein.

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

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

1 uninsured/underinsured motorists insurance or his duly authorized repre-
2 sentative and upon disclosure by the insured of the insured's bodily
3 injury and supplemental uninsured/underinsured motorists insurance
4 coverage limits, the insurer of any other owner or operator of another
5 motor vehicle against which a claim has been made for damages to the
6 insured shall disclose, within forty-five days of the request, the bodi-
7 ly injury liability insurance limits of its coverage provided under the
8 policy or all bodily injury liability bonds. The time of the insured to
9 make any supplementary uninsured/underinsured motorist claim, shall be
10 tolled during the period the insurer of any other owner or operator of
11 another motor vehicle that may be liable for damages to the insured,
12 fails to so disclose its coverage. As a condition precedent to the obli-
13 gation of the insurer to pay under the supplementary
14 uninsured/underinsured motorists insurance coverage, the limits of
15 liability of all bodily injury liability bonds or insurance policies
16 applicable at the time of the accident shall be exhausted by payment of
17 judgments or settlements.

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

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

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

26 (2) The named insured and members of his household, other than occu-
27 pants of a motorcycle, for loss arising out of the use or operation of
28 (i) an uninsured motor vehicle or motorcycle, OR A VEHICLE WHOSE COVER-
29 AGE IS RESCINDED OR CANCELLED PURSUANT TO SECTION THREE THOUSAND FOUR
30 HUNDRED FIFTY-FIVE OF THIS CHAPTER, within the United States, its terri-
31 tories or possessions, or Canada; and (ii) an insured motor vehicle or
32 motorcycle outside of this state and within the United States, its
33 territories or possessions, or Canada.

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

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

1 insured is not a natural person or the motor vehicle is used predomi-
2 nantly for business purposes shall be non-renewed by an insurer unless
3 at least twenty days in advance of the renewal date the insurer mails or
4 delivers to the named insured at the address shown on the policy a writ-
5 ten notice of its intention not to renew. All notices of non-renewal
6 shall be sent by regular mail with a certificate of mailing, properly
7 endorsed by the postal service to be obtained. Time of the effective
8 date and hour of termination stated in the notice shall become the end
9 of the policy period. Every notice or acknowledgement of termination for
10 any cause whatsoever sent to the insured shall include in type of which
11 the face shall not be smaller than twelve point a statement that proof
12 of financial security is required to be maintained continuously through-
13 out the registration period and a notice prescribed by the commissioner
14 indicating the punitive effects of failure to maintain continuous proof
15 of financial security and actions which may be taken by the insured to
16 avoid such punitive effects.

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

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

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

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

24 S 9. This act shall take effect one year after it shall have become a
25 law.