



October 11, 2005

## **DELAWARE REGULATION OUTLINES PROHIBITIVE PRACTICES FOR HOMEOWNERS POLICIES**

### **BACKGROUND**

The Delaware Insurance Department has adopted Regulation 703 pertaining to prohibited practices relating to policyholder inquiries, and the non-renewal of residential homeowners policies. The intent of the regulation is to inform insurance companies that it is prohibitive to terminate or non-renew homeowners real and personal property insurance policies under circumstances where a policyholder merely makes an inquiry about the policy or how claims are handled by the insurer.

### **REGULATION REQUIREMENTS**

In regard to policyholder inquiries, the regulation states that an insurer has engaged in an unfair trade practice if it considers a policyholder's inquiry regarding a homeowners policy or a loss under that policy, to be a claim for purposes of making underwriting decisions.

Regarding non-renewals, the regulation states that an insurer that non-renews a homeowners policy, solely on the basis of claims asserted against that policy, has engaged in an unfair trade practice. The regulation goes on to clarify that wording by stating that an insurance company has not engaged in an unfair trade practice if the non-renewal is based 1) on claims asserted against the policy if the claim demonstrates that there has actually been a substantial change or increase in hazard or in the risk assumed by the carrier subsequent to the date of the policy, or 2) on the basis of the insured's refusal or failure to make necessary or material changes or repairs as a result of a notice by the insurer that failure to make such changes or repairs would result in a breach of the policies contractual duties, conditions or warranties that would result in a change or increase in the hazard, or in the risk assumed by the carrier.

### **COMPANY ACTION**

To assure that the requirements of this regulation are followed, companies should review their policyholder inquiry and non-renewal procedures.

### **EFFECTIVE DATE**

October 11, 2005

**AVAILABILITY**

Regulation 703 may be accessed on the Delaware Insurance Department's website at:

<http://www.state.de.us/research/AdminCode/title18/700/703.shtml>

**QUESTIONS**

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