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Loss of Reinsurance

Requirements for Mid-term Cancellation

40-60-102 Grounds for midterm policy cancellation

Canceling in midterm a policy of insurance covering commercial property and casualty risks is prohibited for any reason other than the following:

1. A condition, factor or loss experience material to insurability has changed substantially or a substantial condition, factor or loss experience material to insurability has become known during the policy term.
2. Loss of reinsurance or a substantial decrease in reinsurance has occurred, which loss or decrease shall, at the time of cancellation, be certified to the Insurance Commissioner as directly affecting inforce policies.
3. The insured has made a material misrepresentation which affects the insurability of the risk.
4. The policy was obtained through fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company.
5. The insured has failed to pay a premium when due, whether the premium is payable directly to the company or its agents or indirectly under a premium finance plan or extension of credit.
6. The insured has requested cancellation.
7. Material failure to comply with policy terms, conditions or contractual duties.
8. Other reasons that the Insurance Commissioner may approve.

§ 113.84. Certification procedure for loss of or substantial decrease in reinsurance.

The procedure for certification of loss of or substantial decrease in reinsurance is as follows:

1. If the loss of reinsurance is the result of cancellation of the reinsurance agreement by the reinsurer, a copy of that portion of the reinsurance contract that is directly applicable and a copy of the reinsurance cancellation notice shall accompany the certification. The insurer shall also certify that

the loss of reinsurance directly affects in-force policies.

2. If the loss of or substantial decrease in reinsurance is the result of an amendment to the reinsurance contract by the reinsurer, a copy of the reinsurance contract and a copy of the amendment shall accompany the certification.
3. If the loss of or substantial decrease in reinsurance is the result of the difference between the expiration of a reinsurance contract and a new reinsurance contract, a copy of both reinsurance contracts shall accompany the certification.
4. Certification shall be in the form of a written statement, signed by an officer of the insurer, identifying the specific lines of insurance affected by the loss of the reinsurance, providing a reasonably accurate estimate of the number of Pennsylvania in-force policies affected, describing attempts to replace reinsurance and verifying that the insurer shall cancel only policies specifically affected by the loss of the reinsurance.
5. Certification shall be submitted to the Commissioner by certified mail, or an equivalent means of delivery that provides for proof of delivery, on or before the date of issuance of cancellation notices to the affected insureds. If the Commissioner finds that no basis for cancellation exists, immediately upon his notification to the certifying insurer, cancellation notices shall be rescinded.
6. If an insurer makes a determination that the loss of or substantial decrease in a reinsurance contract will materially affect its overall financial condition, it may at the time of certification request that the Commissioner approve a shorter period in which to provide notice of cancellation than that which is provided for in section 3(a)(3) of the act (40 P. S. § 3403(a)(3); NILS 40-60-103(a)(3)).
7. If a copy of the reinsurance contract is not available because the contract or an amendment thereto has not been received by the insurer, a general explanation in writing of the effect of the loss of reinsurance shall accompany the certification.

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