

1 **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2 STATE OF OKLAHOMA

3 2nd Session of the 59th Legislature (2024)

4 ENGROSSED SENATE
5 BILL NO. 1627

By: Seifried of the Senate

and

Cantrell of the House

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9 An Act relating to insurance; amending 36 O.S. 2021,
10 Section 3639, which relates to cancellation
11 requirements; providing for electronic delivery;
12 updating statutory language; amending 85A O.S. 2021,
13 Section 42, which relates to cancellation
14 requirements; conforming language; updating statutory
15 references; and providing an effective date.

16 BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

17 SECTION 1. AMENDATORY 36 O.S. 2021, Section 3639, is
18 amended to read as follows:

19 Section 3639. A. The provisions of this section apply to
20 commercial marine policies, commercial automobile policies,
21 commercial property insurance policies, commercial casualty
22 insurance policies, and commercial fire insurance policies.

23 B. As used in this section:

24 1. "Renewal" or "to renew" means the issuance or offer of
 issuance by an insurer of a policy succeeding a policy previously

1 issued and delivered by the same insurer or an insurer within the
2 same group of insurers, or the issuance of a certificate or notice
3 extending the term of an existing policy for a specified period
4 beyond its expiration date;

5 2. "Nonpayment of premium" means the failure or inability of
6 the named insured to discharge any obligation in connection with the
7 payment of premiums on a policy of insurance subject to this
8 section, whether such payments are payable directly to the insurer
9 or its agent or indirectly payable under a premium finance plan or
10 extension of credit;

11 3. "Cancellation" means termination of a policy at a date other
12 than its expiration date;

13 4. "Expiration date" means the date upon which coverage under a
14 policy ends. It also means, for a policy written for a term longer
15 than one (1) year or with no fixed expiration date, each annual
16 anniversary date of such policy; and

17 5. "Nonrenewal" or "refusal to renew" means termination of a
18 policy at its expiration date.

19 C. After coverage has been in effect for more than forty-five
20 (45) business days or after the effective date of the renewal of a
21 commercial marine, commercial automobile, commercial property,
22 commercial casualty or commercial fire insurance policy, a notice of
23 cancellation shall not be issued by any licensed insurer or surplus
24 or excess lines insurer unless it is based on at least one of the

1 following reasons with at least ten (10) ~~days~~ days' notice to the
2 insured:

3 1. Nonpayment of premium;

4 2. Discovery of fraud or material misrepresentation in the
5 procurement of the insurance or with respect to any claims submitted
6 thereunder;

7 3. Discovery of willful or reckless acts or omissions on the
8 part of the named insured which increase any hazard insured against;

9 4. The occurrence of a change in the risk which substantially
10 increases any hazard insured against after insurance coverage has
11 been issued or renewed;

12 5. A violation of any local fire, health, safety, building, or
13 construction regulation or ordinance with respect to any insured
14 property or the occupancy thereof which substantially increases any
15 hazard insured against;

16 6. A determination by the Commissioner that the continuation of
17 the policy would place the insurer in violation of the insurance
18 laws of this state;

19 7. Conviction of the named insured of a crime having as one of
20 its necessary elements an act increasing any hazard insured against;
21 or

22 8. Loss of or substantial changes in applicable reinsurance.

23 D. An insurer may refuse to renew a policy if the insurer gives
24 to the first-named insured at the address shown on the policy

1 written notice that the insurer will not renew the policy. Such
2 notice shall be given at least forty-five (45) days before the
3 expiration date. Notice may be sent by electronic means if the
4 recipient consents to such method of delivery and the insurer is in
5 compliance with the provisions of the Uniform Electronic
6 Transactions Act. Electronic delivery is considered to be
7 equivalent to any delivery method required by law, including first-
8 class mail, postage prepaid, certified mail, certificate of mail, or
9 certificate of mailing. If notice is given by mail or sent by
10 electronic means, ~~said~~ such notice shall be deemed to have been
11 given on the day ~~said~~ the notice is mailed or sent electronically.
12 If the notice is mailed or sent electronically less than forty-five
13 (45) days before expiration, coverage shall remain in effect until
14 forty-five (45) days after notice is mailed or sent electronically.
15 Earned premium for any period of coverage that extends beyond the
16 expiration date shall be considered pro rata based upon the previous
17 year's rate. For purposes of this section, the transfer of a
18 policyholder between companies within the same insurance group is
19 not a refusal to renew. In addition, changing deductibles, changes
20 in premium, changes in the amount of insurance, or reductions in
21 policy limits or coverage are not refusals to renew.

22 Notice of nonrenewal shall not be required if the insurer or a
23 company within the same insurance group has offered to issue a
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1 renewal policy, ~~or~~ if the named insured has obtained replacement
2 coverage or has agreed in writing to obtain replacement coverage.

3 If an insurer provides the notice required by this subsection
4 and thereafter the insurer extends the policy for ninety (90) days
5 or less, an additional notice of nonrenewal is not required with
6 respect to the extension.

7 E. An insurer shall give to the named insured at the mailing
8 address shown on the policy, written notice of premium increase,
9 change in deductible, reduction in limits or coverage at least
10 forty-five (45) days prior to the expiration date of the policy. If
11 the insurer fails to provide such notice, the premium, deductible,
12 limits and coverage provided to the named insured prior to the
13 change shall remain in effect until notice is given or until the
14 effective date of replacement coverage obtained by the named
15 insured, whichever first occurs. If notice is given by mail, ~~said~~
16 such notice shall be deemed to have been given on the day ~~said~~ the
17 notice is mailed. If the insured elects not to renew, any earned
18 premium for the period of extension of the terminated policy shall
19 be calculated pro rata at the lower of the current or previous
20 year's rate. If the insured accepts the renewal, the premium
21 increase, if any, and other changes shall be effective the day
22 following the prior policy's expiration or anniversary date.

23 This subsection shall not apply to:
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1 1. Changes in a rate or plan filed with or approved by the
2 Insurance Commissioner or filed pursuant to the Property and
3 Casualty Competitive Loss Cost Rating Act and applicable to an
4 entire class of business; ~~or~~

5 2. Changes based upon the altered nature of extent of the risk
6 insured; or

7 3. Changes in policy forms filed with or approved by the
8 Insurance Commissioner and applicable to an entire class of
9 business.

10 F. Proof of mailing of notice of cancellation, or of nonrenewal
11 or of premium or coverage changes, to the named insured at the
12 address shown in the policy, shall be sufficient proof of notice.

13 SECTION 2. AMENDATORY 85A O.S. 2021, Section 42, is
14 amended to read as follows:

15 Section 42. A. Contents. Every policy or contract of
16 insurance issued by a carrier to an employer to secure the payment
17 of compensation under ~~this act~~ the Administrative Workers'

18 Compensation Act shall contain:

- 19 1. a. Provisions that identify the insured employer and
20 either identify each covered employee or describe
21 covered employees by class or type of labor performed
22 and the estimated number of employees of each such
23 class or type.

1 b. No single policy of workers' compensation insurance
2 may be issued to any group of employers who are
3 unaffiliated with one another in terms of ownership,
4 control, or right to participate in the profits of the
5 affiliated enterprises;

6 2. Provisions that insolvency or bankruptcy of the employer or
7 discharge therein shall not relieve the carrier from payment of
8 compensation for compensable injuries sustained by an employee
9 during the term of the policy or contract;

10 3. a. The agreement of the carrier that it shall promptly
11 pay to the person entitled to compensation every
12 installment of compensation that may be awarded or
13 agreed on and that this obligation shall not be
14 affected by any default of the employer or by any
15 default in the giving of any notice required by the
16 policy or otherwise.

17 b. The agreement shall be construed to be a direct
18 obligation by the carrier to the person entitled to
19 compensation, enforceable in that person's name; and

20 4. Such other provisions as the Insurance Department allows or
21 requires carriers to include in workers' compensation policies.

22 B. Cancellation.
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1 1. An employer may cancel coverage with a carrier by giving the
2 carrier at least thirty (30) days' notice, unless a shorter period
3 is permitted under subparagraph b of this paragraph.

4 a. Cancellation of coverage is effective at 12:01 a.m.
5 thirty (30) days after the date the cancellation
6 notice is received by the carrier, unless a later date
7 is specified in the notice to the carrier.

8 b. (1) An employer may cancel coverage effective less
9 than thirty (30) days after written notice is
10 received by the carrier where the employer
11 obtains other coverage or becomes a self-insurer.
12 Notice may be sent by electronic means if the
13 recipient consents to such method of delivery and
14 the insurer is in compliance with the provisions
15 of the Uniform Electronic Transactions Act.
16 Electronic delivery is considered to be
17 equivalent to any delivery method required by
18 law, including first-class mail, postage prepaid,
19 certified mail, certificate of mail, or
20 certificate of mailing.

21 (2) A cancellation under this subsection is effective
22 immediately on the effective date of the other
23 coverage or on authorization as a self-insurer.

- 1 2. a. A notice of cancellation from the carrier shall state
2 the hour and date that cancellation is effective.
- 3 b. A carrier shall not cancel coverage issued to an
4 employer under ~~this act~~ the Administrative Workers'
5 Compensation Act before the date specified for
6 expiration in the policy or contract or until at least
7 thirty (30) days have elapsed after a notice of
8 cancellation has been mailed or sent electronically to
9 the Commission and to the employer, or until ten (10)
10 days have elapsed after the notice has been mailed or
11 sent electronically to the employer and to the
12 Commission if the cancellation is for nonpayment of
13 premium.
- 14 c. If the employer procures other insurance within the
15 notice period, the effective date of the new policy
16 shall be the cancellation date of the old policy.

17 3. Cancellation of coverage by an employer or a carrier shall
18 in no way limit liability that was incurred under the policy or
19 contract before the effective date of cancellation.

20 C. Coverage.

21 1. No policy or contract of insurance shall be issued against
22 liability under ~~this act~~ the Administrative Workers' Compensation
23 Act unless the policy or contract covers the entire liability of the
24 employer. Split coverage whereby some employees of an employer are

1 insured by one carrier and other employees are insured by another
2 carrier, or a plan of self-insurance, is expressly prohibited except
3 for a policy issued covering the liability of an employer or of
4 multiple employers as to specific jobs, ventures, contracts, or
5 undertakings, but only if the policy meets with the reasonable
6 satisfaction and approval of the Insurance Commissioner that the
7 policy is in the best interest of the employers and the employees
8 concerned and does not unduly or improperly affect the continuity of
9 workers' compensation coverage by seriously and negatively affecting
10 other carriers and agents with outstanding policies issued to any of
11 the employers in issue.

12 2. The terms of the policy or contract shall govern any
13 questions of liability between the employer and the carrier.

14 D. Under such rules as may be adopted by the Insurance
15 Commissioner, and notwithstanding other provisions of ~~this act~~ the
16 Administrative Workers' Compensation Act, he or she may certify five
17 or more employers as an insurance group which shall be considered an
18 employer for the purposes of ~~this act~~ the Administrative Workers'
19 Compensation Act.

20 SECTION 3. This act shall become effective November 1, 2024.

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22 COMMITTEE REPORT BY: COMMITTEE ON RULES, dated 04/09/2024 - DO PASS.

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