

PROPERTY AND CASUALTY INSURANCE POLICY SIMPLIFICATION MODEL ACT

Table of Contents

Section 1.	Title
Section 2.	Purpose
Section 3.	Definitions
Section 4.	Applicability
Section 5.	Implementation Dates
Section 6.	Minimum Policy Simplification Standards
Section 7.	Outline of Coverage
Section 8.	Powers of the Commissioner
Section 9.	Compliance with Other Statutorily Required Language
Section 10.	Countersignature Not Required
Section 11.	Effective Date

Section 1. Title

This Act may be cited as the Property and Casualty Insurance Policy Simplification Act.

Section 2. Purpose

- A. The purpose of the Act is to establish minimum language and format standards to make property and casualty insurance policies easier to read.
- B. This Act is not intended to increase the risk assumed under policies subject to it. Nor is it intended to impede flexibility and innovation in the development of policy forms or content. It does not grant authority to the [Commissioner] to mandate the standardization of policy forms or content.

Section 3. Definitions

As used in this Act:

- A. “Casualty insurance” does not include accident and health insurance or disability insurance.
- B. “Commissioner” means the Insurance Commissioner of this state.
- C. “Policy” or “policy form” means any written contract of property or casualty insurance delivered or issued for delivery in this state by or on behalf of any insurer licensed in this state.

Section 4. Applicability

- A. This Act shall apply to all policies with effective dates on or after the implementation date established for such policies under Section 5.
- B. No other statute of this state setting simplification standards for language or format shall apply to any policy.
- C. This Act shall not apply to policies in manuscript form or to the following kinds of insurance:
 - (1) Ocean marine;
 - (2) Surety and financial institution bonds;
 - (3) Reinsurance; or

(4) Commercial aviation.

D. Any non-English policy shall be deemed in compliance with Section 6 if it was translated from an English-language policy which complies with Section 6.

Section 5. Implementation Dates

A. Personal Lines Policies. In addition to any other requirements of law, the Commissioner shall by regulation specify the date or dates by which personal lines policies shall comply with Section 6. The date or dates established by the Commissioner for compliance shall not be less than eighteen (18) months or more than thirty-six (36) months from the effective date of the regulation. "Personal lines policies" are policies

(1) Solely used to provide homeowners insurance, dwelling fire insurance on one to four family units, or individual fire insurance on dwelling contents; or

(2) Principally used to provide primary insurance on private passenger nonfleet automobiles individually owned and used for personal or family needs.

B. All Other Property or Casualty Policies. In addition to any other requirements of law, the Commissioner may by regulation specify which policies, other than those described in A, shall comply with Section 6. The date or dates, if any, established by the Commissioner for compliance may not be less than forty-eight (48) months from the effective date of this Act or twenty-four (24) months from the effective date of the regulation establishing the dates, whichever is later.

Drafting Note: Additional lines of insurance should be made subject to policy simplification on a staggered basis. It is strongly recommended that the Commissioner establish such requirements after consultation with an ad hoc committee of interested parties. This committee should suggest additional lines based on such factors as number of policies written (higher volume policies first), whether they are personal lines or commercial lines (personal lines first), and whether they are primary or excess (primary first).

Section 6. Minimum Policy Simplification Standards

All policies which, under Section 5, must comply with this section shall be simplified, taking into consideration the following factors:

- A. Use of simple sentence structure and short sentences;
- B. Use of commonly understood words;
- C. Avoidance of technical legal terms wherever possible;
- D. Minimal reference to other sections or provisions of the policy;
- E. Organization of text; and
- F. Legibility.

Section 7. Outline of Coverage

An insurer may comply with Sections 5B and 6 for not more than twelve (12) months following the implementation date established by the Commissioner by providing to the policyholder an outline of coverage or a brochure instead of a simplified policy. Such outline or brochure shall comply with Section 6.

Section 8. Powers of the Commissioner

A. The Commissioner may, after notice and hearing, issue reasonable rules or regulations implementing Sections 5 and 6.

- B. The Commissioner may, at his sole discretion, extend any dates under this Act.
- C. The Commissioner shall have sole authority to enforce the provisions of this Act or seek remedies for its violation.

Section 9. Compliance with Other Statutorily Required Language

The requirements of any other laws which specify the language or content of any policy may be met by a policy complying with Section 6. However, it must provide protection which, considered as a whole, is not less favorable to the insured than is required by such other laws.

Section 10. Countersignature Not Required

Policies issued to comply with Section 6 need not be countersigned by a licensed resident agent.

Section 11. Effective Date

This Act shall take effect [insert date].

Chronological Summary of Actions (all references are to the Proceedings of the NAIC).

1980 Proc. II 22, 26, 908, 911-913 (adopted).

1981 Proc. I 47, 51, 813, 814 (amended).