69O-170.010 Short Rate Cancellations and Fully Earned Premiums Prohibited.

(1) This rule applies to all property and casualty insurance to which Section 627.062, F.S., applies. It is intended to clarify the premium amount that an insurer must return to the insured upon cancellation of a policy by the insured. The provisions of this rule do not apply to inspection fees or other fees defined by statute to be fully earned.

(2) Under this rule, the use of short rate cancellation tables or procedures that develop return premiums that are less than 90% of the pro rata unearned premium in a policy being cancelled is prohibited unless actuarial or other justification is provided.

(a) Actuarial justification shall demonstrate that the rates produced by the proposed cancellation procedures are not excessive, inadequate or unfairly discriminatory.

(b) Justification other than actuarial may demonstrate that the insurance cancellation provisions are a minor part of the financial transaction.

(3) The inclusion of fully earned premium provisions in insurance contracts or endorsements is prohibited by this rule unless the insurer requesting the use of these provisions has justified them to the Office prior to their use.

(a) Fully earned premium provisions can only be included in insurance policies or endorsements that provide specialized, relatively short term coverage on specific events or items of property that have a known time period of usefulness or exposure to loss.

(b) Examples of exposures for which fully earned premiums are acceptable include, but are not limited to, crop hail insurance, flood insurance, outdoor concerts, picnics, sporting events, seasonal activities, minimum premium policies, and policies as to which fully-earned premiums are provided by Section 627.7275, F.S.

Rulemaking Authority 624.308(1) FS. Law Implemented 624.307(1), 627.062 FS. History–New 11-2-92, Formerly 4-170.010.