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ADMINISTRATIVE LETTER
1981-13

TO: All Companies Licensed to Write Property and Casualty Insurance
in Virginia and All Premium Finance Companies Licensed in Virginia

A recent Virginia Supreme Court Case (American Interinsurance Exchange vs Virginia Mayton Lucy, Supreme Court of Virginia, Record No. 800220) states that when an insurance company cancels a motor vehicle liability policy for non-payment at the request of the premium finance company, it must still provide the insured with the number of days notice required by statute, even if the premium finance company is using an insured's power of attorney to request the cancellation.

Because many companies may be operating under the mistaken impression that a request from the premium finance company under the insured's power of attorney is the same as the request of the insured for cancellation and is, therefore, not subject to the statutory cancellation notice provision (Section 38.1-381.5(e)(2), this letter is being written to advise all property and casualty companies and premium finance companies that any cancellation for non-payment of premium must provide the required number of days notice, whether or not there is a power of attorney from the insured. Cancellations that do not provide the required number of days notice are invalid and of no effect.

Further, we are by this letter advising all premium finance companies to amend the wording of the power of attorney to contain wording similar to that outlined in Section 4.5 of Regulation 6, (Case # 18954) dealing with Insurance Premium Finance Companies, effective May 15, 1971. This section says--"Notwithstanding the provisions of Section 4.4, where notice and a period of time is a prerequisite to cancellation under any statutory, regulatory or contractual restriction, no insurance policy shall be cancelled until the required notice shall have been given by the insurer and the requisite period of time shall have elapsed, and the insurer shall then cancel the policy as soon as it legally can."

Please see that this information is conveyed to your agents and employees as soon as is possible.

Sincerely,


W. G. Flournoy
Interim Insurance Commissioner

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