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NATIONAL COUNCIL OF INSURANCE LEGISLATORS (NCOIL)

Model Act Regarding Use of Insurance Binders as Evidence of Coverage

Adopted by the NCOIL Executive and Property-Casualty Insurance Committees on July 15, 2012. Readopted on July 15, 2017 and July 16, 2022. Model sponsored by Rep. Matt Lehman (IN)

Section 1. Short Title

This Act shall be known as the “Model Act Regarding Use of Insurance Binders as Evidence of Coverage.”

Section 2. Purpose

This Act establishes that insurance binders obligate coverage until a policy is issued or cancelled.

Section 3. Definitions

A. “Insurance binder” means a written temporary contract of insurance authorized by an insurer issued prior to the insurance policy that includes:

1. the name and address of the insured and any additional named insureds, mortgagees, or lienholders
2. a description of the property insured
3. a description of the nature and amount of coverage that shall be deemed to include the terms of the insurance policy except as conspicuously noted on the binder
4. the identity of the insurer and of the authorized representative executing the binder
5. the effective date of coverage
6. the binder number or the policy number where applicable to a policy extension

B. “Insurance policy” means a contract of insurance describing the term, coverage, premiums, and deductibles.

C. "Insured" means the person, group, or property for which an insurance policy is issued.

D. "Insurer" means any organization that issues property or casualty insurance.

E. "Lender" means an individual, partnership, corporation, association, or other entity, or loan servicer acting on behalf of such party, who lends money and receives or otherwise acquires a mortgage, a lien, a deed of trust, or any other security interest in or on any real or personal property as security for the loan.

Section 4. Insurer Obligations

A. An insurer that provides an insurance binder is obligated to provide the coverage according to the terms of such binder until the insurer issues the insurance policy or cancels the binder.

B. An insurer shall only cancel an insurance binder in accordance with the minimum cancellation provisions included in the insurance policy and in accordance with [insert appropriate state law on insurance policy cancellations].

Section 5. Penalties

Any person who violates this Act may be fined up to [insert amount] per violation.

Section 6. Effective Date

This Act shall take effect 90 days after enactment.

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