

**HEALTHCARE PROVIDERS
PROFESSIONAL LIABILITY INSURANCE ENDORSEMENT**

Cancellation and Non-Renewal Endorsement

State of New Jersey

It is hereby agreed that Common Policy Conditions number XIII Non-Renewal/Cancellation is deleted in its entirety and replaced with the following:

Cancellation and Non-Renewal

1. Cancellation by the **named insured**

The **named insured** has the right to cancel this Policy at any time by giving notice to us stating when thereafter the cancellation shall be effective. If the Policy is so canceled, earned premium shall be computed pro rata.

2. Cancellation by us

We have the right to cancel this Policy at any time and for any reason within the first sixty (60) days. We must mail notice of cancellation at least thirty (30) days prior to the effective date of such cancellation.

After this Policy has been in effect for sixty (60) days or more, it may be canceled only for one of the following reasons:

- a. May be canceled for any underwriting reason set forth in our underwriting guidelines which were in effect at the policy inception. The underwriting guidelines must not be arbitrary, capricious or unfairly discriminatory.
- b. The following text sets forth certain approved reasons for midterm cancellations as approved guidelines. While a company may issue other guidelines, it appears that a company should limit its guidelines for midterm cancellation to those the Department has approved to avoid the possibility that the Department might rescind a cancellation.
- c. All underwriting reasons or guidelines utilized by us to cancel or non-renew this policy shall be maintained by us in writing and shall be available to the **named insured** or the **named insured's** lawful representative upon written request.
- d. Only those guidelines which are in effect at the inception of the original policy or any renewal thereof, as applicable, may be utilized to cancel during the policy period.
- e. The following guidelines are approved for use by insurers:
 - (1) Nonpayment of premium.
 - (2) Moral hazard, which is defined as:
 - (a) The risk, danger or probability that the insured will destroy, or permit to be destroyed, the insured property for the purpose of collecting the insurance proceeds. Any change in the circumstances of an insured that will increase the probability of such a destruction may be considered a "moral hazard;" and
 - (b) The substantial risk, danger or probability that the character, circumstances or personal habits of the insured may increase the possibility of loss or liability for which we will be held responsible. Any change in the character or circumstances of an individual, corporate, partnership or other insured that will increase the probability of such a loss or liability may be considered a "moral hazard."
 - (3) Material misrepresentation or nondisclosure of material fact.
 - (4) Increased hazard or material change in the risk by the parties at inception of coverage
 - (5) Substantial breaches of policy provisions that materially affect the nature and/or insurability of the risk.
 - (6) Lack of cooperation on loss control matters which materially affect insurability.
 - (7) Fraudulent acts which materially affect the risk.

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- (8) Loss of or reduction in available insurance capacity. This is an acceptable reason for cancellation only if the following exists:
 - (i) an insurance department has declared insured to be financially impaired.
 - (ii) substantial reductions in reinsurance or other changes which prohibit us from providing coverage at the same limits and terms as the existing policy; or
 - (iii) An insurance department has issued an order indicating impaired financial condition of the reinsurer which may adversely affect the reinsurer's ability to meet its obligations.
- (9) Failure of the insured to comply with any federal, state or local fire, health, safety, building or construction regulation, law or ordinance which substantially increases any hazard insured against. The insured has sixty (60) days to correct.
- (10) Failure by the insured to provide reasonable and necessary underwriting information to us upon written request therefor and a reasonable time to respond.
- (11) Agency termination, provided:
 - (i) We document that replacement coverage at comparable rates and terms has been provided to the insured, and we have informed the insured, in writing of his or her right to continue coverage with us; or
 - (ii) the insured has agreed in writing to the cancellation based upon the termination of the agent.

We must mail notice of cancellation not more than 120 days nor less than thirty (30) days prior to the effective date of such cancellation. The notice will state the reason for cancellation. If we cancel for non-payment of premium, we must mail notice of cancellation at least ten (10) days prior to the effective date of such cancellation.

3. Non-Renewal by us

We have the right to non-renew this Policy effective on any policy anniversary date. All notices of non-renewal must be mailed to the **named insured** at the last mailing address known to us not more than 120 days nor less than sixty (60) days prior to the effective date of non-renewal and shall provide a specific explanation of the reason(s) for non-renewal. This notice shall be sent by certified mail or by first class mail, if we have obtained from the post office a date stamped proof of mailing.

4. Renewal

In the event we are willing to renew this Policy, the amount of the renewal premium and any change in contract terms shall be given to the **named insured** in writing not less than sixty (60) days or no more than 120 days prior to the due date of the premium and shall clearly state the effect of non-payment of the premium by the due date.

If we fail to provide the required renewal notice, or to issue and deliver a certificate or notice extending the term of the policy beyond its policy period or term, the expiring Policy shall continue at the same terms and premium until such time as we send appropriate notice of renewal to the **named insured**.

This endorsement is a part of **your** policy and takes effect on the effective date of **your** policy, unless another effective date is shown below. All other provisions of the policy remain unchanged.

| <i>Must Be Completed</i> | | <i>Complete Only When This Endorsement Is Not Prepared with the Policy Or Is Not to be Effective with the Policy</i> | |
|--------------------------|------------|--|----------------------------|
| ENDT. NO. 1 | POLICY NO. | ISSUED TO | ENDORSEMENT EFFECTIVE DATE |