

MARKET BULLETIN

From	Director, Worldwide Markets (extn 6677)
Date	5 January 2006
Reference	Y3721
Subject	Louisiana: Hurricane Katrina and Hurricane Rita. Emergency Rule 23 issued by the Louisiana Commissioner of Insurance
Subject areas	Personal residential, commercial residential and commercial property insurance of property in the state of Louisiana affected by Hurricane Katrina or Hurricane Rita
Attachments	None
Action points	Managing agents and Lloyd's brokers to note and comply with the provisions of the Emergency Rule
Deadlines	Emergency Rule 23 became effective on 30 December, 2005

Purpose of bulletin

The purpose of this bulletin is to inform the market of the provisions of Louisiana Emergency Rule 23 ("Rule 23"), which is now in force.

Rule 23 suspends the rights of insurers to cancel or nonrenew residential and commercial property insurance policies covering property in Louisiana damaged by Hurricanes Katrina or Rita, until 60 days after substantial completion of repair.

[Rule 23 can be accessed via this link](#)

Application of Rule 23

Rule 23 applies to personal residential, commercial residential and commercial property insurance covering a dwelling, residential property or commercial property located in Louisiana, damaged as the result of Hurricane Katrina or Hurricane Rita.

Rule 23 applies to insureds who, at 12:01 a.m. on 26 August 2005, or at 12:01 a.m. on September 20, 2005, had a personal residential, commercial residential or commercial

property insurance policy covering a dwelling, residential property or commercial property located in Louisiana, and who filed a claim as a result of damage caused by Hurricane Katrina or Hurricane Rita respectively.

Emergency Rule 23

Rule 23 is addressed to "...all property insurers, surplus lines insurers and any and all other insurance related entities doing business in Louisiana and/or regulated by the Commissioner of Insurance and the Louisiana Department of Insurance." It therefore applies to Lloyd's underwriters, who carry on business from Louisiana on a surplus lines basis.

Section 4305 states that an insurer's right to cancel or nonrenew a policy to which Rule 23 applies is suspended and shall be prohibited until 60 days after the substantial completion of the repair or reconstruction of the property, except for specific exceptions set out in section 4307.

Section 4307 says that an insurer shall only have the right to cancel or nonrenew for the following limited exceptions:

- Non-payment of the premium after providing the insured with the notice of cancellation in accordance with the appropriate statutory time period;
- Fraud or material misrepresentation related to the Hurricane Katrina or Rita claim, but only after the insurer has provided the insured with a 60-day written notice of cancellation;
- The insured causes an unreasonable delay in the repair or reconstruction of the property, but only after the insurer has provided the insured with a 60-day written notice of cancellation;
- The insured has been paid the full policy limits and has evidenced the intent not to repair the property;
- The insured has not been paid the full policy limits but has evidenced the intent not to repair the property;
- The insured violates a material provision of the policy.

The following further key points of Rule 23 should be noted:

- New policies. Policies issued after 1 January 2006 are not affected.
- Written request for cancellation or non-renewal by the insured. Rule 23 does not prevent or prohibit an insured from voluntarily cancelling or non-renewing their policy, nor does it prevent or prohibit an insured from voluntarily entering into an

agreement with an insurer to modify the coverage, limits, terms, endorsements, exclusions or deductibles (4311).

- Commissioner's jurisdiction over modifications to renewal provisions. An insurer may submit to the Commissioner, for his approval, a written modified renewal plan that would allow for significant or substantive modifications to an underlying policy of insurance subject to Rule 23 (4317).

We understand that Rule 23 does not require a policy affected by its provisions and up for renewal to be renewed for an additional full policy term. The policy may be extended until the expiry of 60 days after repairs to the insured property have been completed instead. The insurer may charge a premium for this additional cover and new rates may be applied, pro-rated for the period for which it runs.

Managing agents should ensure that they, and coverholders acting on their behalf, comply with the Rule.

Further information

If you have any queries about this market bulletin, please contact Lloyd's Worldwide Market Services:

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This market bulletin has been sent to active underwriters and to the compliance officers of managing agents and Lloyd's brokers.

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