

# MARKET BULLETIN

<b>From</b>	Director, Worldwide Markets (extn 6677)
<b>Date</b>	3 May 2006
<b>Reference</b>	Y3805
<b>Subject</b>	<b>Louisiana: Interpretation of Emergency Rules 22 and 23</b>
<b>Subject areas</b>	Personal residential, commercial residential and commercial property insurance of property in the state of Louisiana affected by Hurricane Katrina and/or Hurricane Rita
<b>Attachments</b>	None
<b>Action points</b>	<b>Managing agents and Lloyd's brokers to note the legislative and regulatory provisions in force in Louisiana</b>
<b>Deadlines</b>	<b>Immediate</b>

## Purpose of bulletin

The purpose of this bulletin is to inform the market of Advisory Letter Number 06-01 ("Letter 06-01") and Advisory Letter Number 06-02 ("Letter 06-02") issued by the Louisiana Department of Insurance.

## The Louisiana Advisory Letters

Letter 06-01 ([which can be accessed via this link](#)) and Letter 06-02 ([which can be accessed via this link](#)) are addressed to all property insurers, surplus lines, and all other entities doing business in Louisiana and/or regulated by the Commissioner of Insurance and the Louisiana Department of Insurance. Letter 06-01 and Letter 06-02 therefore apply to Lloyd's underwriters, who carry on business from Louisiana on a surplus lines basis.

Advisory Letter Number 06-01 provides interpretation of Emergency Rule 23 ("Rule 23") (see Lloyd's market bulletin Y3721, dated 5 January, 2006). Advisory Letter Number 06-02 provides interpretation of Emergency Rule 22 ("Rule 22") (see Lloyd's market bulletin Y3732, dated 23 January 2006).

## Letter 06-01

Rule 23 suspends the right of any insurer to cancel or non-renew a policy covering residential, commercial residential and commercial property located in Louisiana, damaged as the result of Hurricane Katrina or Hurricane Rita until 60 days after the substantial completion of the repair and reconstruction of the such property or 31 December, 2006.

Letter 06-01 concerns the application of Rule 23 where a single policy provides insurance for properties in multiple states and states that "Emergency Rule 23 is not intended to interfere in such an extraterritorial fashion with a single policy that covers multi-state properties when one of the properties is located in Louisiana and is subject to Emergency Rule 23".

Letter 06-01 advises that in those instances where an insurer has issued a single policy for properties in multiple states they are not required to comply with Rule 23, subject to the following exception. In those instances where one or more of the properties are in Louisiana and had a claim for damages caused by Hurricane Katrina and/or Hurricane Rita, the insurer shall offer to the insureds of Louisiana a property insurance policy that is substantially similar in coverage terms and conditions, subject to appropriate adjustments agreed to by the insured, in order to be in compliance with Rule 23.

## Letter 06-02

Pursuant to Rule 22 every Louisiana insured with a residential property damage claim as a result of Hurricane Katrina and/or Hurricane Rita has the right to require the insurer who issued the policy of property insurance to mediate the claim.

Letter 06-02 advises that:

- Any mediation requested by a Louisiana insured shall be scheduled and conducted within 60 days of the insured making the request for mediation with the American Arbitration Association (AAA). This applies to all currently scheduled mediations and all mediations requested in the future.
- Pursuant to the spirit and intent of Rule 22, every insurer subject to Rule 22 shall employ, engage or otherwise retain a staff of adjusters and/or management personnel of sufficient size and quality to ensure that the 60 day time period within which to schedule and conduct every mediation is adhered to in all respects.
- Rule 22 requires all mediations to be concluded on or before 29 August, 2006 for Hurricane Katrina claims and on or before 20 September, 2006 for Hurricane Rita claims
- Any insurer that believes it has a valid reason for requesting that the mediation conference be held outside the 60 day time period must request such relief, in writing,

from the Commissioner at least 30 days prior to the scheduled mediation. The Commissioner's decision shall be final.

- The AAA has been advised to track all mediation conferences that are not conducted due to the failure of the insurer to be present and mediate in good faith and report this information to the Commissioner on a weekly basis.
- Failure of any insurer to comply with Letter 06-02 may be grounds for legal action by the Louisiana Department of Insurance.

Managing agents should ensure that they, and coverholders acting on their behalf, observe the information laid out in Letter 06-01 and Letter 06-02.

### **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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