

MARKET BULLETIN

From	Director, Worldwide Markets (extn 6863)
Date	6 November 2006
Reference	Y3901
Subject	Louisiana: Cancellation or non-renewal of residential, commercial residential or commercial property insurance protected by Emergency Rule 23
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 Advisory Letter No. 06-05
Deadlines	Immediate effect.

Purpose of bulletin

The purpose of this bulletin is to inform the market of Advisory Letter Number 06-05 ("Letter 06-05") issued by the Louisiana Department of Insurance.

Letter 06-05

Letter 06-05 ([which can be accessed via this link](#)) is addressed to all authorised and approved unauthorised property and casualty insurers (surplus lines insurers) and therefore applies to Lloyd's underwriters, who carry on business from Louisiana on a surplus lines basis.

Letter 06-05 responds to enquiries from insurers and insureds concerning the cancellation or non-renewal of policies protected by Emergency Rule 23 ("Rule 23"). Rule 23 (see Lloyd's market bulletin Y3721, dated 5 January, 2006, Lloyd's market bulletin Y3805, dated 3 May, 2006 and Lloyd's market bulletin Y3838, dated 26 June, 2006) suspends the rights of insurers to cancel or non-renew residential and commercial property insurance policies covering property in Louisiana damaged by Hurricanes Katrina or Rita, until 60 days after

substantial completion of repair and/or reconstruction of said property or 31 December, 2006.

Letter No. 06-05 outlines a number of requirements where an insurer is seeking to cancel or non-renew any insurance policy protected by Rule 23 following the rule's expiry after 31 December, 2006. Letter No. 06-05 advises that:

- Insurers shall comply with all applicable statutory notice requirements set forth in the Louisiana Insurance Code, including, but not limited to, LSA R.S. 22:635.3 – 636.6.
- Rule 23 does not terminate until midnight on 31 December, 2006. Statutory notices shall not be issued until on or after 1 January, 2007. Any notice of cancellation or non-renewal affecting a policy of insurance protected by Rule 23 dated prior to 1 January, 2007 shall be null and void and shall have no force or effect.
- Insurers who intend to claim that there has been “a material change in the risk being insured” that would permit cancellation or non-renewal of a policy of insurance under LSA 22:635.3 or 636.2 must take the following action:
 - Conduct a physical inspection of the subject property thirty (30) days prior to the termination of Rule 23 or thirty (30) days prior to any action to cancel or non-renew the policy of insurance after the termination of Rule 23.
 - Send a preliminary written notice to the insured advising that it is the opinion of the insurer that there has been “a material change in the risk being insured” that sets forth, in detail and with specificity, each and every reason that would justify cancellation or non-renewal. The insured is then to be provided with at least thirty (30) days to either substantially correct the alleged deficiencies and maintain the insurance policy, or, provide the insurer with contrary information and/or documentation that the alleged deficiencies have been corrected.
 - Any alleged termination by the insurer based on “a material change in the risk being insured” shall be unequivocally negated and rendered invalid upon presentation by the insured to the insurer of a valid and timely Building Permit issued by the appropriate governmental authority.
- Letter No. 06-05 further states that “all insurers are instructed to operate in such a fashion as to provide the maximum protection and benefit to the insureds and any and all disputes should be evaluated in a light most favourable to the insured such that the insurance policy will remain in full force and effect”.
- Insureds in Louisiana shall have the full right and entitlement to any and all time accrued between the effective dates of Emergency Rule 15, Emergency Rule 19 (see Lloyd's market bulletin Y3675) and Rule 23 with regard to the prohibition against cancellation and non-renewal afforded to Louisiana insureds under LSA

R.S. 22:635.3 and 636.2 when their policy of insurance has been in force and effect for three years or more.

Managing agents should ensure that they, and coverholders acting on their behalf, comply with Letter No. 06-05.

Further Information

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

Lloyd's Worldwide Market Services
Tel: 020 7327 6677
Email: market.services@lloyds.com
Box 190b, Gallery 1.

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

Julian James,
Director
Worldwide Markets