

Regular Session, 2008

SENATE BILL NO. 160

BY SENATORS CRAVINS, LAFLEUR, LONG, MORRISH AND QUINN

INSURANCE POLICIES. Provides for changes in homeowner's insurance policy deductibles and the application of deductibles in the event of loss. (gov sig)

1 AN ACT

2 To enact R.S. 22:635.3(D) and (E) and 636.2(E) and (F) relative to homeowner's insurance;
3 to provide for changes in homeowners insurance policy deductibles for named
4 storms or hurricanes; to provide for premium quotes involving homeowner's policies
5 and policy deductibles; to provide for application of deductibles in the event of a
6 loss; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 22:635.3(D) and (E) and 636.2(E) and (F) are hereby enacted to read
9 as follows:

10 §635.3. Homeowner's insurance; insurer's nonrenewal without cause; inclusion in
11 insured's file prohibited; **certain prohibitions**

12 * * *

13 **D. Notwithstanding the provisions of Subsection C of this Section, an**
14 **insurer may make a filing with the commissioner pursuant to R. S. 22:1407 for**
15 **authorization to deviate from the provisions of Subsection C of this Section for**
16 **the sole purpose of changing the policy deductible to a total deductible of not**
17 **more than four percent of the value of the property being insured for named**

1 storms or hurricanes on a homeowner's policy of insurance that has been in
 2 effect for more than three years. The commissioner shall promulgate
 3 regulations pursuant to the Administrative Procedure Act setting forth the
 4 criteria for the filing, including any financial or other requirements that he
 5 deems necessary to act on the request by an insurer. Any regulation
 6 promulgated by the commissioner pursuant to this Subsection shall require the
 7 insurer to itemize to the insured the premium savings based on the increase in
 8 the insured's deductible.

9 E. No homeowner's policy of insurance shall contain any provision that
 10 would apply more than one deductible to a loss resulting from any single
 11 incident covered by the policy. Any such provision shall be null and void and
 12 unenforceable as contrary to public policy.

13 F. Any company which makes a filing pursuant to Subsection D of this
 14 Section shall reduce the rates paid by the individual homeowner by the amount
 15 determined to be actuarially justified by the commissioner.

16 * * *

17 §636.2. Property, casualty, and liability insurance policies; cancellation and
 18 nonrenewal provisions; nonrenewal for rate inadequacy; certain
 19 prohibitions

20 * * *

21 E. Notwithstanding the provisions of Subsection D of this Section, an
 22 insurer may make a filing with the commissioner pursuant to R.S. 22:1407 for
 23 authorization to deviate from the provisions of Subsection D of this Section for
 24 the sole purpose of changing the policy deductible to a total deductible of not
 25 more than four percent of the value of the property being insured for named
 26 storms or hurricanes on a homeowner's policy of insurance that has been in
 27 effect for more than three years. The commissioner shall promulgate
 28 regulations pursuant to the Administrative Procedure Act setting forth the
 29 criteria for the filing, including any financial or other requirements that he

1 deems necessary to act on the request by an insurer. Any regulation
 2 promulgated by the commissioner pursuant to this Subsection shall require the
 3 insurer to itemize to the insured the premium savings based on the increase in
 4 the insured's deductible.

5 F. No homeowner's policy of insurance shall contain any provision that
 6 would apply more than one deductible to a loss resulting from any single
 7 incident covered by the policy. Any such provision shall be null and void and
 8 unenforceable as contrary to public policy.

9 G. Any company which makes a filing pursuant to Subsection E of this
 10 Section shall reduce the rates paid by the individual homeowner by the amount
 11 determined to be actuarially justified by the commissioner.

12 Section 2. This Act shall become effective upon signature by the governor or, if not
 13 signed by the governor, upon expiration of the time for bills to become law without signature
 14 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
 15 vetoed by the governor and subsequently approved by the legislature, this Act shall become
 16 effective on the day following such approval.

The original instrument was prepared by Cheryl Horne and the following
 digest, which does not constitute a part of the legislative instrument, was
 prepared by Nancy Vicknair.

DIGEST

Cravins (SB 160)

Present law prohibits an insurer from cancelling, failing to renew, or increasing a policy deductible that has been in effect and renewed for more than three years unless based on nonpayment of a premium, fraud of the insured, a material change in the risk being insured, two or more claims within a period of three years, or if continuation of such policy endangers the solvency of the insurer.

Present law provides that the phrase "two or more claims within a period of three years" does not include any loss incurred or arising from an "Act of God" incident which is due directly to the forces of nature and exclusively without human intervention.

Proposed law retains present law and permits an insurer to file with the commissioner of insurance a written petition for authorization to increase a policy deductible to not more than 4% of the value of the property being insured for named storms or hurricanes on a homeowner's policy that has been in effect for more than three years.

Proposed law requires the commissioner to promulgate regulations for the particulars of the petition including the necessity for the insurer to itemize to the insured the premium savings based on the increase in the insured's deductible.

Proposed law prohibits a homeowner's policy from containing any provision that would apply more than one deductible to a loss resulting from any single incident.

Proposed law requires any company making a filing with the commissioner for authorization to deviate from the provisions of present law, to reduce the rates paid by an individual homeowner by the amount determined to be actuarially justified by the commissioner, when the deductible is increased.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Adds R.S. 22:635.3(D), (E) and (F) and 636.2 (E), (F) and (G))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Insurance to the original bill.

1. Clarifies that no homeowner's policy of insurance shall contain any provision that would apply more than one deductible to a loss resulting from any single incident.
2. Changes "peril" to "incident".
3. Limits the amount of the increase in a total deductible to not more than 5% of the value of the property being insured.

Summary of Amendments Adopted by Senate

Senate Floor Amendments to engrossed bill.

1. Changes the amount of the increase in a total deductible from not more than 5% to not more than 4% of the value of the property being insured.
2. Requires a reduction in rates paid by an individual homeowner, by the amount determined to be actuarially justified by the commissioner, when the deductible is increased.