

MARKET BULLETIN

From	Director, Worldwide Markets (extn 6677)
Date	14 March 2006
Reference	Y3766
Subject	Louisiana: Hurricane Katrina and Hurricane Rita. Directive 195 issued by the Louisiana Department 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 Directive 195
Deadlines	Directive 195 became effective on 27 February, 2006

Purpose of bulletin

The purpose of this bulletin is to inform the market of the provisions of Louisiana Directive 195, which is now in force.

Directive 195 is issued to clarify the issues relative to the payment that an insured may be entitled to receive from an insurer for the replacement costs for damages covered by the policy for property damaged by Hurricane Katrina and/or Hurricane Rita.

[Directive 195 can be accessed via this link](#)

Application of Directive 195

Directive 195 applies to all personal residential, commercial residential and commercial property insurance of property in the state of Louisiana affected by Hurricane Katrina or Hurricane Rita where the policy requires payment to the insured for the replacement costs for damage covered by the policy

Directive 195

Directive 195 is addressed to "...all property and casualty insurers" and states that:

"All insureds and insurers are to conduct themselves in accordance with the underlying purpose and intent of the requirement that the insured is entitled to recover from the insurer the full amount of the replacement costs for damages covered by the policy for any claim filed relative to damages caused by Hurricane Katrina and/or Hurricane Rita without the potential imposition by the insurer of a 6 month time period to effectuate the necessary repairs to the insured property."

Directive 195 therefore applies to Lloyd's underwriters, who carry on business from Louisiana on a surplus lines basis.

The following key points of Directive 195 should be noted:

- Insurers are prohibited from imposing upon insureds a 6 month time period within which insureds may be required to make the necessary repairs to the insured property or the insurers would be relieved of any obligation to pay for the replacement costs for damages covered by the policy.
- To the extent that it may be applicable, i.e., where the policy requires payment to the insured for the replacement costs for damages covered by the policy, all insureds are to have an additional 6 months, or a period of at least one (1) full year from the date of the claim for damages caused by Hurricane Katrina and/or Hurricane Rita, within which to recover the replacement costs for damages covered. The Louisiana Department of Insurance has informed local counsel that "the date of the claim for damages" is intended to mean the date that the damage occurred.
- To the extent that it may be applicable, insurers are entitled to continue to refrain from making the payment to their insured for the replacement costs for damages covered by the policy until the insured has adequately verified to the insurer that the necessary repairs have been effectuated to the insured property that was the subject of the claim for damages caused by Hurricane Katrina and/or Hurricane Rita. Insurers are entitled to request from their insured a status report as to the repairs to be made to the insured property. Such status reports may not be requested more often than once a month.
- All insurers are prohibited from taking any action contrary to Emergency Rule 23 relative to the cancellation or non-renewal of an insured that is entitled to the protection of Emergency Rule 23. Emergency Rule 23 ([see Lloyd's market bulletin Y3721](#), dated 5 January, 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.

Managing agents should ensure that they, and coverholders acting on their behalf, comply with Directive 195.

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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