

# MARKET BULLETIN

<b>From</b>	Director, Worldwide Markets (extn 6863)
<b>Date</b>	26 January 2007
<b>Reference</b>	Y3963
<b>Subject</b>	<b>Louisiana: Bulletin No. 06-06 – Commercial and Homeowners Insurance Disclosure Forms</b>
<b>Subject areas</b>	Homeowners or commercial insurance policies that provide coverage for damage to property in Louisiana.
<b>Attachments</b>	Bulletin No. 06-06 and disclosure forms attached there-in
<b>Action points</b>	<b>Managing agents and Lloyd's brokers to note and comply with the provisions of Bulletin No. 06-06</b>
<b>Deadlines</b>	<b>Bulletin No. 06-06's requirements are effective from 1 April 2007</b>

## Purpose of bulletin

The purpose of this bulletin is to inform the market of Bulletin No. 06-06 issued by the Louisiana Department of Insurance.

## Bulletin No. 06-06

Bulletin No. 06-06 ("the Bulletin") (which is attached to this market bulletin) is addressed to all property and casualty insurers. The Louisiana Department of Insurance has informed local counsel that the Bulletin is intended to apply to surplus lines insurers doing business in Louisiana, such as Lloyd's underwriters.

The Bulletin requires that insurers, issuing, delivering or renewing homeowners or commercial insurance policies providing coverage for damage to property in Louisiana, must include the disclosure forms attached to the Bulletin. The appropriate disclosure form (homeowners and commercial versions of the disclosure form are attached to the bulletin) should be presented to the insured as an insert in the front of the policy upon issuance, delivery or renewal. Policies currently in-force, where policy documentation has already been issued are only subject to the Bulletin's requirements at renewal.

Compliance with the bulletin is required from 1 April, 2007.

### **Disclosure notice for homeowners' insurance policies**

The Louisiana Insurance Code defines "homeowners' insurance" as:

*"A policy of insurance on a one- or two-family owner-occupied premises, which combines fire and allied lines with any one or more perils of casualty, liability, or other types of insurance within one policy form at a single premium, where the insurer's liability for damage to the premises under said policy is determined with reference to the replacement value of the premises." RS 22.6(15).*

The notice is intended to set out the coverage provided, the deductibles, whether the policy covers flood and mold damage and some details of the claims process. The notice refers to deadlines for the adjustment and payment of a property damage claim set out in RS 22.658 and 22.1220.

### **Disclosure notice for commercial property policies**

The requirement to provide the notice is set out in RS 22.696. This section states, in part:

*"No fire insurance policy which provides coverage for damage to property shall be delivered or issued for delivery in this state with respect to any commercial property unless the insurer advises the insured in writing, prominently displayed on a form developed and promulgated by the commissioner of insurance, as an insert in the front of the policy as to which coverages are included in the policy for which the insured has paid premiums."*

The Louisiana Insurance Code does not define "commercial property". The reference to "fire insurance policy" appears intended to include other forms of property insurance.

The notice refers to the coverage provided, the deductibles and whether the policy covers flood and mold damage.

### **Further Information**

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

Lloyd's Market Services  
Tel: 020 7327 6677  
Email: [market.services@lloyds.com](mailto: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



LOUISIANA DEPARTMENT OF INSURANCE  
JAMES J. DONELON, COMMISSIONER

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**BULLETIN NO. 06-06**

**To: All Property and Casualty Insurers**

**From: James J. Donelon, Commissioner**

**Re: Commercial and Homeowners Insurance Disclosure Forms**


**Date: December 20, 2006**

In accordance with LSA - R.S. 22:696 and 22:1477, the Louisiana Department of Insurance hereby re-promulgates the attached disclosure forms to be used by all property and casualty insurance companies issuing, delivering or renewing homeowners or commercial insurance policies that provide coverage for damage to property in Louisiana.

These disclosure forms shall supersede the disclosure forms published in the Potpourri section of the October 2006 edition of the Louisiana Register. The appropriate disclosure form shall be presented to the insured as an insert in the front of the policy upon issuance, delivery or renewal. Compliance with LSA - R.S. 22:696 and 22:1477 shall begin April 1, 2007.

Questions regarding Bulletin No. 06-06 should be directed to Kathlee Hennigan, Director of Forms and Compliance, at <[khennigan@ldi.state.la.us](mailto:khennigan@ldi.state.la.us)> or by telephone at (225) 342-1258.

Baton Rouge, Louisiana this 20th day of December, 2006.



James J. Donelon  
COMMISSIONER OF INSURANCE

# IMPORTANT INFORMATION REQUIRED BY THE LOUISIANA DEPARTMENT OF INSURANCE

## Homeowners Insurance Policy Coverage Disclosure Summary

This form was promulgated pursuant to LSA-R.S. 22:1477.

**THIS IS ONLY A SUMMARY OF YOUR COVERAGE AND DOES NOT CHANGE, EXPAND, OR REDUCE THE COVERAGES OR ANY OTHER PROVISIONS CONTAINED IN YOUR POLICY. INSURANCE IS A CONTRACT. THE LANGUAGE IN YOUR POLICY CONTROLS YOUR LEGAL RIGHTS.**

**\*\*READ YOUR INSURANCE POLICY FOR COMPLETE  
POLICY TERMS AND PROVISIONS\*\***

### COVERAGE(S) FOR WHICH PREMIUM WAS PAID

[INSERT PERSONAL PROPERTY COVERAGES]

*Example:*

Coverage A	-	Dwelling
Coverage B	-	Other Structures
Coverage C	-	Personal Property
Coverage D	-	Loss of Use
Coverage E	-	Personal Liability
Coverage F	-	Medical Payments

### DEDUCTIBLES

This policy sets forth certain deductibles that will be applied to claims for damages. When applicable, a deductible will be subtracted from your total claim and you will be paid the balance subject to applicable coverage limits.

**NOTICE:** This policy [does/does not] set forth a deductible for covered losses caused by [*hurricane; named storm; wind*] as defined in the policy. Look at the Declaration Page of your policy to determine the amount of the deductible that will apply to any claim for damage caused by [*hurricane; named storm; wind*].

**\*\* You may be able to reduce your premium by increasing your deductible. Contact your producer/agent or insurer for more details.**

## LIMITATIONS OR EXCLUSIONS UNDER THIS POLICY

**FLOOD** - Flood damage [is/is not] covered, regardless of how caused, when flood is the peril that causes the loss. Flood water includes, but is not limited to, storm surge, waves, tidal water, overflow of a body of water, whether driven by wind or not.

*Flood Insurance* may be available through the National Flood Insurance Program (NFIP). NFIP flood insurance may provide coverage for damage to your dwelling and/or contents subject to the coverage limits and terms of the policy.

*Excess Flood Insurance* may be available under a separate policy, from this or another insurer, if the amount of the primary flood insurance is not enough to cover the value of your property.

- You may contact your producer or insurer for more information on the National Flood Insurance Program and Excess Flood Insurance.

**MOLD** - Damage caused solely by Mold [is/is not] covered under this policy.

**\*\*FOR ALL OTHER LIMITATIONS OR EXCLUSIONS REFER TO YOUR POLICY FOR COMPLETE DETAILS ON TERMS AND PROVISIONS\*\***

### **CLAIM FILING PROCESS**

There may be time limitations for filing a claim and filing of a satisfactory proof of loss. There may also be time limitations for repairing and replacing damaged property that could cause you to not recover the replacement cost of your property, if applicable.

### **PAYMENT OF CLAIMS**

Depending on the terms of the insurance policy, some losses may be paid based on actual cash value (ACV) and others based on replacement cost (RC).

- **ACV** is the amount needed to repair or replace the damaged or destroyed property, minus the depreciation.
- **RC** involves the initial payment of actual cash value (ACV) of a loss, and the subsequent payment of the additional amount that is actually and necessarily expended to repair or replace the damaged or destroyed property.

**\*\*** Refer to your policy for the terms and conditions describing how a particular loss is to be paid.

**PAYMENT AND  
ADJUSTMENT OF  
CLAIMS**

Pursuant to LSA R.S. 22:658 and 22:1220, except in the case of catastrophic loss, the insurer shall initiate loss adjustment of a property damage claim and/or a claim for reasonable medical expenses within fourteen (14) days after notification of loss by the claimant.

In the case of a catastrophic loss, the insurer shall initiate loss adjustment of a property damage claim within thirty (30) days after notification of loss by the claimant.

All insurers shall make a written offer to settle any property damage claim, including a third-party claim, within thirty (30) days after the receipt of satisfactory proof of loss of that claim.

Failure to make such payment within thirty (30) days after receipt of such satisfactory written proofs and demand therefore or failure to make a written offer to settle any property damage claim, including a third-party claim, within thirty (30) days after receipt of a satisfactory proof of loss of that claim may result in a late penalty against the insurer in addition to the payment of the claim.

If the insurer is found to be arbitrary, capricious or without probable cause in settling any property damage claim, the insurer must pay the insured, in addition to the amount of the loss, fifty percent (50%) damages on the amount found to be due from the insurer to the insured, or one thousand (\$1,000.00) dollars, whichever is greater, as well as reasonable attorney fees and costs, if applicable.

EFFECTIVE APRIL 1, 2007

# IMPORTANT INFORMATION REQUIRED BY THE LOUISIANA DEPARTMENT OF INSURANCE

## Commercial Property Insurance Policy Coverage Disclosure Summary

This form was promulgated pursuant to LSA-R.S. 22:667.1 and 22:696.

**THIS IS ONLY A SUMMARY OF YOUR COVERAGE AND DOES NOT CHANGE, EXPAND, OR REDUCE THE COVERAGE OR ANY OTHER PROVISIONS CONTAINED IN YOUR POLICY. INSURANCE IS A CONTRACT. THE LANGUAGE IN YOUR INSURANCE POLICY CONTROLS YOUR LEGAL RIGHTS.**

**\*\*READ YOUR INSURANCE POLICY FOR COMPLETE  
POLICY TERMS AND PROVISIONS\*\***

### COVERAGE(S) FOR WHICH PREMIUM WAS PAID

[INSERT COMMERCIAL PROPERTY COVERAGES]

*Example:*

Extra Expense  
Business Interruption

### DEDUCTIBLES

This policy sets forth certain deductibles that will be applied to claims for damages. When applicable, a deductible will be subtracted from your total claim and you will be paid the balance subject to applicable coverage limits.

**NOTICE:** This policy [does/does not] set forth a deductible for covered losses caused by [*hurricane; named storm; wind*] as defined in the policy. Look at the Declaration Page of your policy to determine the amount of the deductible that will apply to any claim for damage caused by [*hurricane; named storm; wind*].

**\*\*You may be able to reduce your premium by increasing your deductible. Contact your insurance producer/agent or insurance company for more details.**

### LIMITATIONS OR EXCLUSIONS UNDER THIS POLICY

**FLOOD** - Flood damage [is/is not] covered, regardless of how caused, when flood is the peril that causes the loss. This may include, but is not limited to, storm surge, waves, tidal water, overflow of a body of water, whether driven by wind or not.



***Flood Insurance*** may be available through the National Flood Insurance Program (NFIP). NFIP flood insurance may provide coverage for damage to your building and/or contents subject to the coverage limits and terms of the policy.

***Excess Flood Insurance*** may be available under a separate policy from this or another insurer if the amount of the primary flood insurance is not enough to cover the value of your property.

- You may contact your producer or insurer for more information on the National Flood Insurance Program and Excess Flood Insurance.

**MOLD** - Damage caused solely by Mold [is/is not] covered under this policy.

**\*\*FOR ALL OTHER LIMITATIONS OR EXCLUSIONS REFER TO YOUR POLICY FOR COMPLETE DETAILS ON TERMS AND PROVISIONS\*\***

EFFECTIVE APRIL1, 2007