

Regular Session, 2012

SENATE BILL NO. 209

BY SENATOR MORRISH

PROPERTY INSURANCE. Provides that an insurer may nonrenew up to three percent of its homeowners' insurance business in any calendar year. (8/1/12)

1 AN ACT

2 To amend and reenact R.S. 22:1265(D) and 1333 (C) and to enact R.S. 22:1265(I) and  
3 1333(G), relative to property, casualty, liability, and homeowners' insurance  
4 cancellation or nonrenewal; to allow an insurer to nonrenew up to three percent of  
5 its homeowners' insurance business in any year; to require the reporting of  
6 nonrenewals to the commissioner; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 22:1265(D) and 1333(C) are hereby amended and reenacted and  
9 R.S. 22:1265(I) and 1333(G) are hereby enacted to read as follows:

10 §1265. Property, casualty, and liability insurance policies; cancellation and  
11 nonrenewal provisions; nonrenewal for rate inadequacy; certain  
12 provisions

13 \* \* \*

14 D. No insurer providing property, casualty, or liability insurance shall cancel  
15 or fail to renew a homeowner's policy of insurance or ~~to~~ increase the policy  
16 deductible that has been in effect and renewed for more than three years unless based  
17 on nonpayment of premium, fraud of the insured, a material change in the risk being

1 insured, two or more claims within a period of three years, or if continuation of such  
2 policy endangers the solvency of the insurer. This Subsection shall not apply to an  
3 insurer that ceases writing homeowner's insurance or to policy deductibles increased  
4 for all homeowners' policies in the state. For the purposes of this Subsection, an  
5 incident shall be deemed a claim only when there is a demand for payment by the  
6 insured or the insured's representative under the terms of the policy. A report of a  
7 loss or a question relating to coverage shall not independently establish a claim. As  
8 used in this Subsection, the phrase "two or more claims within a period of three  
9 years" shall not include any loss incurred or arising from an "Act of God" incident  
10 which is due directly to forces of nature and exclusively without human intervention.

11 \* \* \*

12 **I. Notwithstanding the provisions of Subsection D of this Section, and**  
13 **subject to Paragraphs (1) and (2) of this Subsection, an insurer may nonrenew**  
14 **a homeowner's insurance policy pursuant to this Subsection for any reason that**  
15 **is consistent with its underwriting standards, as long as such nonrenewal does**  
16 **not violate the provisions of R.S. 22:34 or 35.**

17 **(1) The total number of policies nonrenewed by the insurer each year**  
18 **pursuant to this Subsection shall not exceed three percent of the total number**  
19 **of the policies that the insurer had in force in this state at the end of the**  
20 **previous calendar year. In addition, the total number of policies nonrenewed**  
21 **each year pursuant to this Subsection within any given parish in this state may**  
22 **not exceed three percent per year of the total number of policies the insurer had**  
23 **in force in that parish at the end of the previous calendar year; however, an**  
24 **insurer may nonrenew one policy per year pursuant to this Subsection in any**  
25 **parish if the applicable percentage limitation results in less than one policy.**

26 **(2) Each insurer that has elected to nonrenew policies pursuant to the**  
27 **percentage limitations provided in this Subsection shall, on or before the**  
28 **thirtieth day of September of each year, report to the commissioner the total**  
29 **number of policies nonrenewed in each parish of this state pursuant to this**



1 previous calendar year. In addition, the total number of policies nonrenewed  
2 each year pursuant to this Subsection within any given parish in this state may  
3 not exceed three percent per year of the total number of policies the insurer had  
4 in force in that parish at the end of the previous calendar year; however, an  
5 insurer may nonrenew one policy per year pursuant to this Subsection in any  
6 parish if the applicable percentage limitation results in less than one policy.

7 (2) Each insurer that has elected to nonrenew policies pursuant to the  
8 percentage limitations provided in this Subsection shall, on or before the  
9 thirtieth day of September of each year, report to the commissioner the total  
10 number of policies nonrenewed in each parish of this state pursuant to this  
11 Subsection for the preceding year and the specific reason or reasons for the  
12 nonrenewals by parish.

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The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Cheryl Horne.

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#### DIGEST

Present law prohibits an insurer providing property, casualty, or liability or homeowners' insurance from cancelling or failing to renew a homeowner's insurance policy or increasing the policy deductible that has been in effect and renewed for more than three years unless based on nonpayment of 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 the continuation of such policy endangers the solvency of the insurer. Further provides that two or more claims within a period of three years shall not include any loss incurred or arising from an "Act of God" incident which is due to forces of nature and exclusively without human intervention.

Present law permits an insurer to make a filing with the commissioner of insurance for authorization to deviate from the three year provision for the sole purpose of changing the policy deductible to a total deductible of not more than 4% of the value of the property being insured for named storms or hurricanes on a homeowner's policy of insurance that has been in effect for more than three years.

Proposed law retains present law and permits an insurer to nonrenew a homeowner's insurance policy for any reason that is consistent with its underwriting standards, as long as the nonrenewal does not violate present law which prohibits discriminatory practices.

Proposed law further provides that the total number of policies nonrenewed by an insurer each year shall not exceed 3% of the total number of policies that the insurer had in force in the state at the end of the previous calendar year. Additionally, the total number of policies nonrenewed each year within any given parish in the state may not exceed 3% per year of the total number of policies the insurer had in force in the parish at the end of the previous calendar year; however, an insurer may nonrenew one policy per year pursuant to proposed law in any parish if the applicable percentage limitation results in less than one policy.

Proposed law requires each insurer that has elected to nonrenew policies to report to the commissioner on or before September 30<sup>th</sup> each year the total number of policies nonrenewed in each parish of the state for the preceding year and the specific reasons for the nonrenewals by parish.

Effective August 1, 2012.

(Amends R.S. 22:1265(D) and 1333(C); adds R.S. 22:1265(I) and 1333(G))