

TECHNICAL ADVISORY

Independent Insurance Agents of Louisiana

TA 109

Via Broadcast Fax

July 24, 1997

**SUBJECT: CANCELLATION OF AGENCY CONTRACTS
COMPANY SOLICITATION OF AGENCY HOMEOWNERS RENEWALS
LOUISIANA DEPARTMENT OF INSURANCE DIRECTIVE #69**

BACKGROUND: Over the past several months, a number of agents have expressed concern that insurance companies were canceling agency contracts and renewing homeowners policies direct without paying agent commissions. Companies cited provisions of RS 22:636.2.D. and RS 22:1405.1.C., which prohibit insurers from canceling homeowners policies that have been effect for three or more years, except for certain causes. These companies have also taken the position that they could not pay renewal commissions to agents after their agency contract had been canceled.

MAIN POINTS: On behalf of our member agents, IIAL has worked with the Louisiana Department of Insurance to resolve this issue. IIAL takes a strong position that insurance companies are generally prohibited from direct solicitation of agency renewals after the agency contract has been terminated. If statutory requirements require renewal of such policies, IIAL takes a strong position that companies should be required to pay renewal commissions to agents.

Following IIAL discussions with the Department of Insurance, Kip Wall, Chief Deputy Commissioner, forwarded the enclosed letter and copy of Insurance Department Directive #69. Directive #69 clearly prohibits companies from canceling agency relationships and rewriting the agents' business on a direct basis. The Department also takes a position that if there is a legal obligation for an insurer to continue coverage, the insurer must continue to pay the applicable commissions to the former agent or agency through which the business was generated. Canceling an agent's contract does not eliminate the obligation to pay commissions.

NECESSARY ACTION: IIAL member agents who experience the problems outlined above with agency contract cancellations, direct solicitation and a failure to pay renewal commissions, should provide such companies with a copy of the enclosed letter from Kip Wall and Directive #69. If companies fail to respond appropriately to the position of the Louisiana Department of Insurance, agents may contact IIAL for assistance with filing a complaint with LDOI.