

TECHNICAL ADVISORY

TA 152

March 9, 2000

SUBJECT: Cancellation and Nonrenewal Requirements

BACKGROUND: Louisiana statutes, Title 22, contain specific requirements for notice of cancellation and nonrenewal of property and casualty insurance policies. In addition, there are prohibitions regarding reasons for cancellation and nonrenewal.

MAIN TOPICS: Listed below is a summary of the notification requirements, and cancellation and nonrenewal prohibitions, by line of insurance. The specific statutory citation is indicated in brackets. In many cases, additional provisions are also found in other sections of Title 22, and are grouped here by line of insurance.

Line of insurance: All lines not otherwise specified below [22:636.]

Note: Unless a line of coverage has a more specific statutory citation, these notification requirements apply to all lines of property and casualty insurance in Louisiana.

Cancellation: 20 days [22:636.A.(1)(a)]

Nonpayment: 10 days [22:636.A.(4)]

Nonrenewal: *(No provision. Any line of insurance which is not specifically governed by another statute apparently has no nonrenewal provision under Louisiana law.)*

Line of insurance: Automobile [22:636.1.]

Note: Under this section, a "policy" means one issued to an individual or husband and wife [22:636.1.A.(1)].

Cancellation: 30 days [22:636.1.D.(1)]

Note: Permissible reasons: #1. nonpayment [22:636.1.B.(1)(a)]; #2. Suspension/revocation of license [22:636.1.B.(1)(b)]; #3. Fraud, etc. [636.1.B.(1)(c)]; #4. Nonreceipt of application after binder issued [22:636.1.B.(1)(d)].

Nonpayment: 10 days [22:636.1.D.(1)]

Nonrenewal: 20 days [22:636.1.E.(1)]

Notes: #1. Cannot cancel or nonrenew purely because of age [22:636.1.C.] ; #2. Cannot cancel if insured over 65, capable of driving, who holds valid Louisiana license [22:636.1.K.] #3. Cannot refuse to issue or renew, increase premium, or cancel solely because insured is deaf or hard of hearing, provided the person is capable of driving and holds a valid Louisiana license [22:652.2]; #4. Cannot charge a higher premium, increase or add a surcharge, cancel or fail to renew, solely because insured is a paid or volunteer fireman [22:1472.]; #5. Cannot terminate or modify coverage, refuse to issue or refuse to renew, solely because insured filed

for bankruptcy [22:1214.(7)(i).]; #6. Cannot increase the rate, increase or add a surcharge, cancel, or fail to renew when based on consideration of one or more nonfault incidents. [22:1466.].

Line of insurance: Commercial [22:636.4]

Note 1: Applies to commercial property, commercial multi-peril, professional errors and omissions, commercial liability, other than aviation and employers liability policies.

Note 2: Does not apply to reinsurance, excess and surplus lines, residual market risks, worker's compensation, multi-state location risks, policies subject to retrospective rating, excess or umbrella policies, and such other policies that are exempted by the commissioner of insurance. (*However, 22:636 [above] applies to these lines exempt from 22:636.4.*)

Cancellation: 60 days – if policy in effect less than sixty days [22:636.4.C.(1)]; 20 days – if policy in effect more than sixty days, but cancellation only for: fraud, increase in hazard, failure to comply with loss control, increase in risk, company solvency, violation of policy terms by insured, or other reasons approved by commissioner of insurance [22:636.4.C.(2)(a)].

Nonpayment: 10 days [22:636.4.C.(1)]&[22:636.4.C.(2)(a)]

Nonrenewal: 60 days [22:636.4.D.(1)]

Line of insurance: Homeowners [22:636.6]

Cancellation: (*no provision - refer to 22:636 above*)

Nonpayment: (*no provision - refer to 22:636 above*)

Nonrenewal: 30 days [22:636.6.A.]

Notes: #1. Cannot cancel or nonrenew solely on basis that insured owns or possesses an all-terrain vehicle (ATV) [22:636.2.C.]; #2. Cannot cancel or nonrenew, or increase policy deductible, if coverage has been in effect for more than three years, unless based on nonpayment of premium, fraud, material change, two or more claims within period of three years, or solvency of insurer is endangered; exception for insurer who ceases to write homeowner insurance, or policy deductibles increased for all homeowners policies in the state [22:636.2.D] & [22:1405.1.C.]; #3. Cannot cancel or nonrenew, or increase premium except upon an area-wide basis, based solely upon a loss caused by an "Act of God," which means "an incident due directly to natural causes and exclusively without human intervention." [22:1471]; #4. An insurer who nonrenews a policy without cause cannot utilize such nonrenewal as a reason for an increase in the insured's rate for equivalent coverage to that which was nonrenewed. [22:1405.1.A.].

Line of insurance: Not specified – Failure to maintain membership in required organization [22:636.3]

Cancellation: 20 days [22:636.3.b.(1)(a)].

Note: Applies to insurance in which membership in an organization is a condition precedent to insurance coverage.

NECESSARY

Distribute this Technical Advisory to all appropriate agency staff.

ACTION: