

TECHNICAL ADVISORY

INDEPENDENT INSURANCE AGENTS OF LOUISIANA

TA 157

April 27, 2000

SUBJECT: Cancellation of Homeowners Insurance Due to Acts of God

BACKGROUND: In recent weeks, IIAL has received a number of telephone calls from agents expressing concern about insurance companies cancelling homeowners policies for weather-related (hail) claims. This problem has been particularly significant in North Louisiana where some areas have experienced hail storms several times over the past few years.

MAIN POINTS: IIAL researched the various homeowners cancellation statutes and found that there were two potentially conflicting statutes which would apply. Louisiana Revised Statute 22:636.2(D) allows an insurance company to cancel or non-renew a homeowners policy that has been renewed for more than three years for various reasons, including "two or more claims within a period of three years." Louisiana Revised Statute 22:1471 prohibits insurance companies from cancellation or non-renewal, or increase in the amount of premium except upon an area wide rating basis, based solely upon a loss caused by an act of God.

IIAL took the position that RS 22:1471 was more specific with regard to treatment of claims caused by an act of God and would, therefore, prohibit insurance companies from using acts of God as the two or more losses which allow cancellation under RS 22:636.2(D). Many insurance carriers interpreted these statutes in such a way as to allow cancellation of homeowners policies under RS 22:636.2(D) for hail claims and other acts of God.

IIAL asked the Louisiana Department of Insurance for their legal opinion on this issue. Yesterday, LDI issued LA #00-10 Cancellation of Homeowners Insurance Due to Acts of God. LDI interpreted the statutes in a manner consistent with the position taken by IIAL. The conclusion of the LDI legal analysis states: "Although an insurer has the legal authority to cancel a homeowners insurance policy for those reasons enumerated in LSA-RS 22:636.2(D), it does not have the legal authority to cancel a homeowners insurance policy, when the reason is based on a loss or losses caused by an act or acts of God pursuant to LSA-RS 22:1471."

We have attached a copy of the LDI legal opinion for your convenience. We would like to thank Insurance Commissioner James H. "Jim" Brown, with special thanks to LDI Executive Counsel Brenda Nation for their excellent work in protecting policyholders in this important issue. IIAL would also like to thank LDI staff members Chris Faser, Chad Brown and Kathlee Hennigan.

**NECESSARY
ACTION:**

Circulate this Technical Advisory to all agency staff who deal with homeowners.
Advise insurance companies writing homeowners insurance of the LDI position.