



LOUISIANA DEPARTMENT OF INSURANCE  
JAMES J. DONELON  
COMMISSIONER

**ADVISORY LETTER 2020-01**

**TO: ALL PROPERTY AND CASUALTY INSURERS AUTHORIZED TO WRITE  
FIRE AND ALLIED LINES AND/OR HOMEOWNERS' INSURANCE IN  
THE STATE OF LOUISIANA**

**FROM: JAMES J. DONELON, COMMISSIONER OF INSURANCE**

**RE: LA. R.S. 22:1460(I)(1)(C)**

**DATE: MARCH 11, 2020**

The Louisiana Department of Insurance ("LDI") hereby issues Advisory Letter 2020-01 to provide guidance to property and casualty insurers ("insurers") as to how the LDI interprets Act 61 of the 2017 Regular Session.

La. R.S. 22:1460(I)(1) states as follows:

§1460. Fire insurance rates; the Property Insurance Association of Louisiana

I.(1)(a) Every insurance company authorized to write fire insurance in this state shall adhere to the rates promulgated by the Property Insurance Association of Louisiana and approved by the commissioner of insurance in accordance with Subsection A of this Section; however, whenever a public protection classification is changed to reflect improved fire protection in an area or for a governmental entity, the insurer shall reduce its premium for that policy and when the insurance protection class improves from a class two to a class one, the percentage amount of such premium reduction shall be uniform for all policies in the area whether the property is classified as commercial or residential. This reduction shall be granted prior to the next policy renewal or within sixty days from the effective date of the change in the public protection classification, whichever occurs first.

(b) Whenever a public protection classification is changed to reflect a detrimental change in fire protection in an area or for a governmental entity, an insurer may adjust its premium for that policy and the percentage amount of such adjustment shall be uniform for all policies in the area whether the property is classified as commercial or residential.

(c) No insurance company shall combine a higher classified public fire protection area with a lower classified public fire protection area for the purpose of determining the fire insurance rate for the combined public fire protection areas.

Act 61 of the 2017 Regular Session enacted La. R.S. 22:1460(I)(1)(c), which is set forth above. The practice described in La. R.S. 22:1460(I)(1)(c) is known as “grouping.” In accordance with La. R.S. 22:1460(I)(1)(c), it is the LDI’s interpretation that insurers should not engage in grouping and should not apply the same premium or use the same factor for the calculation of the premium for two or more separate fire protection classification grades assigned to separate fire protection areas.

It is also the LDI’s interpretation that all insurers authorized to write policies that cover the peril of fire should comply with La. R.S. 22:1460(I)(1)(a), which states that each insurer authorized to write fire insurance in the state of Louisiana is to adhere to the rates and rules promulgated by the Property Insurance Association of Louisiana (“PIAL”). The only exception is that an insurer may deviate from PIAL’s rates and rules pursuant to La. R.S. 22:1468. The LDI interprets the phrase “authorized to write fire insurance” to include all insurers authorized to write policies that cover the peril of fire, including fire and allied lines insurance for personal or commercial property and homeowners’ insurance policies. PIAL has made rate filings for fire and allied lines insurance and homeowners’ insurance that comply with La. R.S. 22:1460(I)(1)(c). Insurers authorized to write fire and allied lines or homeowners’ policies should either adhere to PIAL’s filed rates and rules or make a written application for permission to file a deviation pursuant to La. R.S. 22:1468.

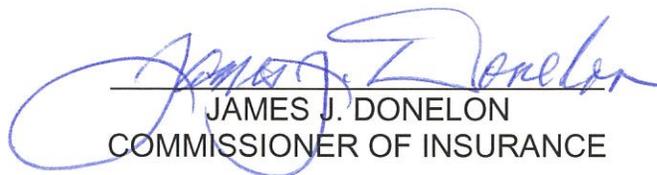
However, regardless of whether such insurers adhere to PIAL’s filed rates and rules or file for a deviation, all insurers authorized to write fire and allied lines or homeowners’ insurance should comply with the provisions of La. R.S. 22:1460(I)(1)(c), that is, insurers should not apply the same premium or use the same factor for the calculation of the premium for any two separate fire protection classification grades assigned to separate fire protection areas. Additionally, regardless of whether such insurers adhere to PIAL’s filed rates and rules or file for a deviation, all insurers authorized to write fire and allied lines or homeowners’ policies should comply with the provisions of La. R.S. 22:1460(I)(1)(a) and (b) that provide for adjustments in premium when there is a change in an area’s fire protection classification grade.

Every insurer authorized to write fire and allied lines or homeowners’ insurance is hereby advised to review its current manual rates and rules for conformity with La. R.S. 22:1460(I)(1)(c). Any such insurer that determines that its current manual rates and rules do not adhere to La. R.S. 22:1460(I)(1)(c) should submit a rate and rule filing to the LDI that will bring its manual rates and rules into compliance. The filing should either adopt PIAL’s filed and approved rates or provide justification for any requested deviation.

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As many property and casualty insurers have come into compliance with La. R.S. 22:1460(l)(1)(a), Directive 215, dated March 22, 2019, is hereby rescinded.

Inquiries regarding Advisory Letter 2020-01 should be directed to Warren Byrd, Deputy Commissioner, Office of Property and Casualty, either by telephone at (225) 342-5203 or electronically at [warren.byrd@ldi.la.gov](mailto:warren.byrd@ldi.la.gov).



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