



LOUISIANA DEPARTMENT OF INSURANCE
JAMES J. DONELON
COMMISSIONER

DIRECTIVE 215

**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: ACT 61 OF THE 2017 REGULAR LEGISLATIVE SESSION,
ENACTED AS LA. R.S. 22:1460(I)(1)(C)**

DATE: MARCH 22, 2019

The Louisiana Department of Insurance has been working to resolve issues concerning the application of Act 61 of the 2017 Regular Session of the Louisiana Legislature. Directive 215 is hereby issued to inform insurers of the position of the Louisiana Department of Insurance ("LDI") regarding the application of Act 61 of the 2017 Regular Session and to direct insurers of the manner and deadlines to comply with its provisions.

Act 61 of the 2017 Regular Session, now codified as La. R.S. 22:1460(I)(1)(c), provides as follows:

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

* * *

I.(1)

* * *

(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.

The practice described and prohibited by La. R.S.22:1460(I)(1)(c) is known as "grouping." In order to comply with La. R.S. 22:1460(I)(1)(c), it is the LDI's position that insurers shall not engage in the practice of "grouping" and shall not apply the same premium or use the same factor for the calculation of the premium for any two fire protection areas.

It is also the LDI's position that all insurers authorized to write policies that cover the peril of fire are required to comply with La. R.S. 22:1460(I)(1)(c). La. R.S. 22:1460(I) requires that each insurer authorized to write fire insurance in the state of Louisiana shall adhere to the rates and rules promulgated by the Property Insurance Association of Louisiana ("PIAL") (La. R.S. 22:1460(I)(1)(a)), except that the insurer may deviate from those 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 are required to either adhere to PIAL's filed rates 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 or file for a deviation, all insurers authorized to write fire and allied lines or homeowners' insurance shall comply with the provisions of La. R.S. 22:1460(I)(1)(c), ie. not apply the same premium or use the same factor for the calculation of the premium for any two fire protection areas. Additionally, regardless of whether such insurers adhere to PIAL's filed rates or file for a deviation, all insurers authorized to write fire and allied lines or homeowners' policies shall 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 classification grade.

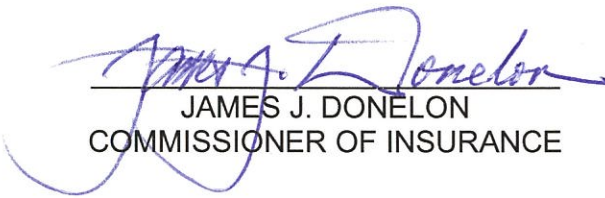
Every insurer authorized to write fire and allied lines or homeowners' insurance is hereby ordered to review its current manual rates and/or rules for compliance with Directive 215 and La. R.S. 22:1460(I)(1)(c). Any such insurer that determines that its current manual rates and/or rules are not in compliance with Directive 215 and La. R.S. 22:1460(I)(1)(c) is hereby ordered to submit a rate and/or rule filing to the LDI on or before August 1, 2019 that will bring its manual rates and/or rules into compliance. Such filing must either adopt PIAL's filed and approved rates or provide justification for any requested deviation. Once approved by the LDI, the manual rates and/or rules that were submitted in response to Directive 215 and La. R.S. 22:1460(I)(1)(c) shall be made effective for all new and renewal business on or before January 1, 2020.

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Any insurer that has not submitted compliant manual rates and/or rules to the LDI on or before August 1, 2019 or has not implemented compliant and approved manual rates and/or rules as to all new and renewal business on or before January 1, 2020 will be subject to regulatory action. No regulatory action will be taken against insurers for the use of approved manual rates and rules prior to the issuance of Directive 215 that conflict with the position explained herein.

Inquiries regarding Directive 215 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.

Please be governed accordingly.



JAMES J. DONELON
COMMISSIONER OF INSURANCE