

Commissioner's Column

June 2017

A Recap of the 2017 LDI Legislative Package

Each year, lawmakers are called upon to balance not only the budget but also the needs of our citizens and the resources available to provide same. As the state insurance regulator, the Louisiana Department of Insurance faces similar pressures - balancing the needs of insurance consumers with the industry's need to run competitive businesses. We keep this principal in mind when we introduce or sponsor legislation. At its core, our goal with legislation is to promote measures that will strengthen the marketplace and better protect insurance consumers. The insurance industry can shift quickly and it's critical that we routinely revisit our processes to ensure we are keeping up with the best practices other regulators have implemented.

An example of this is Act 182 we had introduced that establishes reciprocity when it comes to which producers can sell insurance policies issued by Louisiana Citizens Property Corporation (Citizens). Up until 2016, every producer licensed to sell property and casualty insurance policies in Louisiana could offer policies issued by Citizens. That changed during the 2016 regular session when a law was passed to only allow resident producers to sell Citizens policies. (That law was in response to Mississippi's policy which bars Louisiana agents from selling Mississippi Windstorm Association policies.) Act 182 amends the previous law so that agents from other states can sell Citizens insurance policies in Louisiana *if* Louisiana agents can sell the equivalent of Citizens insurance in their states.

Another legislative change we proposed specifically impacting producers is Act 154 which provides for revisions to the producer license renewal schedule. As a result of the passage of that legislation, licenses will be due for renewal based on each producer's license number, not by the line of authority. The National Insurance Producer Registry, or NIPR, recommended this revision to the renewal schedule. This change will take effect January 1, 2018 and we will issue a bulletin outlining these changes.

Also part of our legislative package, Act 9 strengthens and increases the utility of the LDI voluntary white list of surplus lines insurers that you, as brokers, often use when placing coverage. Louisiana law provides that a surplus lines insurer may write any of the lines of property and casualty insurance in Louisiana for which it is also licensed to write in its state of domicile. Since our state law has not provided a mechanism for us to keep current on what those lines might be, Act 9 requires all surplus lines insurers desiring to be included on our voluntary white list certify to the LDI on an annual basis the lines of property and casualty insurance that it writes in its state of domicile.

Companies will provide this information using a standard form developed by the NAIC (Certificate of Compliance). By requiring the company to file it annually, we can keep our data current. It is a simple form (usually one page) that will provide a mechanism for electronic filing so that companies can file it quickly and easily.

We also proposed Act 219 which provides an option for policyholders to exclude personal property coverage following a declared disaster. An insurance company that issues a homeowner's insurance policy that includes personal property coverage is required to make this exclusion option available upon written request of a policyholder after a declared disaster. The insurer must calculate the appropriate reduction in premium for excluding personal property coverage and return it to the policyholder.

This measure was prompted by the situation many policyholders found themselves in following the August 2016 flood, when they were forced out of their homes and were paying for personal property coverage they no longer needed. The option to exclude personal property from a policy is limited to 24 months from the date of the disaster declaration. A similar consumer protection was enacted by the legislature following Hurricanes Katrina and Rita but it now applies to any parish declared a disaster by the governor or president.

Another bill that was part of the LDI package adds vehicle mechanical breakdown insurers (VMBI) to the unfair and deceptive trade practices provision of the insurance code. VMBI licensees were already subject to regulation by the LDI but adding them to the unfair trade practices protections had to be done by statute. So while the department had oversight, we had no enforcement authority. Prior to passage of HB 217, a consumer with a complaint about an unfair trade practice by a VMBI only had the option of going to court. Now they can file a complaint with the LDI which we will handle through the complaint process.

A measure that was not part of the LDI package but upon which we had significant input was Act 225 regarding travel insurance. With passage of this law, Louisiana becomes the first state to enact the National Conference of Insurance Legislators (NCOIL) Travel Insurance Model Act that was adopted at their spring meeting in New Orleans. The law states that anyone offering or negotiating travel insurance is subject to the unfair trade practices protections. It also gives policyholders a minimum of 10 days from buying a policy to review and cancel it for a full refund – unless the covered trip is already underway or a claim has already been filed. It also requires clear disclosures such as whether a policy contains a pre-existing condition exclusion.

The Legislature also passed Act 63 which authorizes agency fees on individual and group health insurance policies. As a result of Act 63, agency fees in addition to the premium cost and reimbursement expenses may be charged to a policyholder. These fees must be disclosed on a separate document that is signed by the insured. We will be issuing a bulletin in response to Act 63 to provide guidance on its usage.

Participating in the legislative process is one of the greatest tools that consumers, agents and industry can use to make their needs known. It is my hope that the changes made this session

will be to the benefit of all Louisianans. You can find legislative digests on bills in their entirety by logging onto the Legislature's website at www.legis.la.gov and clicking on bill search in the 2017 Regular Session section. You can also find a PowerPoint recap by visiting www.lidi.la.gov/legislativeupdates.