

GREEN SHEET REDIGEST

HB 591

2021 Regular Session

Firment

**INSURANCE CLAIMS: Provides for certain claims settlement practices.**

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DIGEST

Proposed law defines "property" and "depreciation" as it relates to proposed law.

Proposed law provides that insurance policies covering damaged property and allow for depreciation must provide notice that depreciation may be deducted, and if depreciation is applied, the insurer shall provide a written explanation as to how the depreciation was calculated. Requires that depreciation be reasonable and based on combination of objective criteria and subjective assessment including the actual condition of the property prior to the loss. Provides that proposed law does not create any civil action, create any cause of action or penalty against an authorized insurer, its employees or vendors not otherwise provided in law.

Proposed law provides that insurers shall not require that repairs, replacement, restoration, or remediation be made to an insured's property by a particular preferred vendor or recommended contractor when making payment on a residential or commercial property claim.

Proposed law provides that insurers shall not recommend the use of a particular preferred vendor or recommended contractor without informing the insured or claimant that the insured or claimant is under no obligation to use the preferred vendor or recommended contractor to complete repairs, replacement, restoration, or remediation of the insured's property.

Proposed law provides that in the adjustment or settlement of first-party losses under fire and extended coverage policies, insurers are required to include general contractor's overhead and profit in payments for losses when the services of a general contractor are reasonably foreseeable.

Proposed law provides that the deduction of prospective contractor overhead, prospective contractor profit, and sales tax in determining the actual cash value of an adjustment or settlement is not allowed on replacement cost policies or on actual cash value policies.

Proposed law provides that the following shall apply to policies providing for the adjustment and settlement of first-party losses based on replacement cost:

- (1) Any consequential physical damage incurred in making a repair or replacement, not otherwise excluded by the policy, shall be included in the loss.
- (2) If a loss requires replacement of items and the replaced items do not match in quality, color, or size, the insurer shall replace all items in the area so as to conform to a reasonably uniform appearance.

Proposed law provides a mediation process if the insurer and insured disagree on the amount of a loss.

Proposed law provides required language to be included in every residential property insurance policy outlining the mediation process.

(Adds R.S. 22:1892(B)(6) and (E)-(H))

## Summary of Amendments Adopted by House

### The Committee Amendments Proposed by House Committee on Insurance to the original bill:

1. Delete proposed law concerning insurers issuing policies providing adjustment and settlement of losses on an actual cash value basis on residential fire and extended coverage.
2. Delete the model language that must be included in all residential property insurance policies and replace it with new model language that provides a mediation process for situations in which insurers and insureds do not agree upon the amount of a loss.
3. Make technical changes.

## Summary of Amendments Adopted by Senate

### Committee Amendments Proposed by Senate Committee on Insurance to the engrossed bill

1. Add provision proposed law does not create any civil action, create any cause of action or penalty against an authorized insurer, its employees or vendors not otherwise provided by law.