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## DIGEST

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HB 591 Original

2021 Regular Session

Firment

**Abstract:** Provides relative to certain claims settlement practices.

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.

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 that insurers issuing insurance policies providing for the adjustment and

settlement of losses on an actual cash value basis on residential fire and extended coverage shall determine actual cash value based on the replacement cost of the property at time of loss less depreciation.

Proposed law provides that in cases in which the insured's property has nominal or no economic value or a value disproportionate to replacement cost, the determination of actual cash value as set forth in proposed law is not required. In such cases, the insurer shall provide, upon the insured's request, a written explanation of the basis for limiting the amount of recovery along with the amount payable under the policy

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