

RÉSUMÉ DIGEST

ACT 345 (HB 591)

2021 Regular Session

Firment

New law defines "damaged property" and "depreciation" as they relate to new law for insurance claims settlement practices.

New law provides that insurance policies covering damaged property and allowing 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.

New law requires that depreciation be reasonable and based on a combination of objective criteria and subjective assessment including the actual condition of the property prior to the loss.

New law prohibits insurers from requiring 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.

New law prohibits insurers from recommending 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.

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

New 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.

New law provides a mediation process through appraisal for situations in which the insurer and insured disagree on the amount of a loss.

New law provides model language for the appraisal provision required in residential property insurance policies beginning Jan. 1, 2022.

New law provides that if an insured files a lawsuit relative to a residential property policy in which there is a dispute in the amount of a loss prior to a demand for appraisal, the lawsuit will be held in abatement until the execution of an appraisal award.

Effective August 1, 2021.

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