

GREEN SHEET REDIGEST

HB 967

2022 Regular Session

Seabaugh

INSURANCE/POLICIES: Repeals a prohibition on reducing liability limits for certain costs.

DIGEST

Present law provides that liability limits contained in a policy or contract of insurance issued by an authorized insurer shall not be reduced by the expenses of defense in a suit under the policy, unless waived by the commissioner.

Present law provides that the prohibition on reducing liability limits in present law does not apply to personal lines, medical malpractice insurance, commercial vehicle insurance, or commercial general liability insurance.

Proposed law prohibits the commissioner from waiving the prohibition on reducing liability limits for personal lines and medical malpractice insurance.

Present law provides that the prohibition on reducing liability limits in present law may be waived by the commissioner for other types of insurance, upon consideration by the commissioner of the level of market competition, the nature and design of the product, the availability of insurance coverage, and other relevant factors.

Proposed law repeals present law and provides that the commissioner may waive the prohibition provided in present law for types of insurance other than personal lines and medical malpractice insurance upon consideration of the customs of the industry and the interests of the particular insured.

Present law provides that every policy or contract for which a waiver is executed by the commissioner pursuant to present law shall be subject to the following requirements:

- (1) Defense expenses used to reduce the liability limits on the policy or contract shall not include overhead costs, adjusting expenses, or other expenses incurred by the insurer in the ordinary course of business.
- (2) Defense expenses used to reduce the liability limits shall include only reasonable attorney fees and expenses directly connected to the insurer's defense of a specific liability claim on behalf of an insured and any other litigation expenses directly arising from the defense of a specific liability claim.
- (3) The inclusion of defense expenses shall not exhaust the entire amount of liability coverage.

Proposed law repeals present law and provides that expenses of defense may include only reasonable attorney fees and expenses directly connected to the insurer's defense of a specific liability claim.

Present law provides that the commissioner may limit the amount of defense expenses used to reduce the liability limits or establish a minimum amount of liability coverage from which defense expenses shall not be deducted and provides that the commissioner may limit or define the amount of expenses that reduce the liability limits for all or specific type of insurance coverage.

Proposed law repeals present law.

Present law provides that any policy or contract of insurance containing terms that require a waiver pursuant to present law shall include a separate notice or inclusion on the declaration page stating that the insurance policy or contract includes defense expenses

which may be deducted from the liability limits of the policy. Present law provides that this notice shall be prominently printed or stamped in bold on the policy or contract and shall not be less than a ten-point type.

Proposed law retains present law.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 22:1272)

Summary of Amendments Adopted by House

The House Floor Amendments to the original bill:

1. Provide types of insurance for which the commissioner shall not provide a waiver, relative to the prohibition in present law.
2. Provide that the commissioner may waive the prohibition in present law for certain types of insurance upon consideration of certain factors.
3. Remove certain requirements for policies for which the commissioner grants a waiver.
4. Provide certain costs that shall not be included in an insurer's expenses of defense.
5. Remove certain discretionary authority of the commissioner related to the limitation of defense expenses.

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Insurance to the reengrossed bill

1. Prohibits the commissioner from reducing liability limits for personal lines and medical malpractice insurance.
2. Reinstates present law regarding waiver of the prohibition for specific types of insurer.