LDI Louisiana Department of Insurance

NEWS RELEASE

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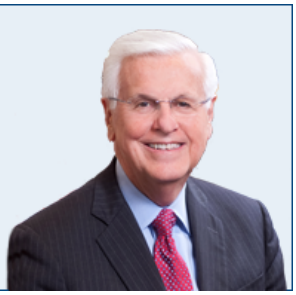
James J. Donelon
Commissioner of Insurance



FOR IMMEDIATE RELEASE

March 27, 2020

Donelon Issues Emergency Rule 39 to Provide Mid-Term Audit of Admitted Policies

Commissioner Jim Donelon issued Emergency Rule 39 to address the statewide public health emergency declared by Governor John Bel Edwards for the state of Louisiana as the result of the imminent threat posed to Louisiana citizens by COVID-19.

“The continued impact of the stay at home order has shuttered many businesses across Louisiana” said Donelon. “This action provides a procedure whereby commercial insureds in our state can make a demand of their admitted insurers to allow for a mid-term self-audit in order to document if there has been a change in their exposure basis to appropriately and immediately adjust their premium in accordance with their new risk.”

This action is done in consideration of the record number of layoffs and business closures amid the ongoing COVID-19 event. It addresses the need for small businesses to access available cashflow in an effort to keep or restart their business operations. This will also afford employees the chance to resume their previous work and provide for themselves and their families.

In summary, Emergency Rule 39:

- Provides a Louisiana commercial insured with the right to demand that their admitted insurer consent to the insured conducting a mid-term self-audit of the insurance policy.
- Defines the procedures that will control the actions of those admitted insurers who have provided commercial coverage with policies rated using an auditable exposure basis, including but not limited to, payroll, sales, enrollment, attendance, occupancy rates, square footage or any other basis.

- Allows any admitted insurer who is required to consent to their insured conducting a mid-term self-audit the opportunity to conduct its own physical audit of an applicable insurance policy at any time during the policy term or at the end of the policy term as provided in the policy terms and conditions.
- If the mid-term self-audit establishes that the premium charged at the initiation of the policy is now in excess of what the premium would be based on the current rating variables, it requires the admitted insurer to adjust the premium immediately but in no event less than 10 days from the completion and submission of the mid-term self-audit, and to refund any overpayment to the insured.

The full text of Emergency Rule 39 can be found here.

About the Louisiana Department of Insurance: The Louisiana Department of Insurance works to improve competition in the state's insurance market while assisting individuals and businesses with the information and resources they need to be informed consumers of insurance. As a regulator, the LDI enforces the laws that provide a fair and stable marketplace and makes certain that insurers comply with the laws in place to protect policyholders. You can contact the LDI by calling 1-800-259-5300 or visiting www.ldi.la.gov.