

Regular Session, 2011

SENATE BILL NO. 84

BY SENATOR MORRISH

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

INSURANCE PREMIUMS. Provides for the calculation of unearned premium in the event of cancellation by the insured. (8/15/11)

AN ACT

To amend and reenact R.S. 22:885(B), relative to cancellation by the insured; to provide for the calculation of any unearned premium to be returned to the insured; to authorize calculating the unearned premium based on a short-rate provision contained in the policy filed with and approved by the commissioner; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 22:885(B) is hereby amended and reenacted to read as follows:

§885. Cancellation by the insured; surrender

* * *

B. Within thirty days following such cancellation the insurer shall pay to the insured or to the person entitled thereto as shown by the insurer's records, any unearned portion of any premium paid on the policy as computed on the customary pro rata rate, ~~or as~~ **unless** otherwise ~~specified~~ **stated** in the ~~a~~ **policy that has been filed with and approved by the commissioner**, and any unearned commission. ~~In the event a personal line or commercial line insurance policy is canceled, any unearned premium and commission shall be computed on a pro rata basis. If no~~

1 premium has been paid on the policy, the insured shall be liable to the insurer for
2 premium for the period during which the policy was in force. Except for surplus line
3 insurers, any assessment of a monetary penalty by an insurer against an insured as
4 a result of the insured's cancellation prior to the expiration of any policy is
5 prohibited. **Nothing in this Section shall prohibit an insurer from calculating**
6 **unearned premium based on a short-rate provision contained in any insurance**
7 **policy that has been filed with and approved by the commissioner.**

8 * * *

The original instrument and the following digest, which constitutes no part
of the legislative instrument, were prepared by Cheryl Horne.

DIGEST

Morrish (SB 84)

Present law provides for cancellation by the insured of any policy or binder upon written notice to the insurer and surrender of the policy or binder prior to or on the effective date of such cancellation. Requires that within 30 days following such cancellation the insurer pay to the insured or to the person entitled thereto, any unearned portion of any premium paid on the policy as computed on the customary pro rata rate or as otherwise specified in the policy.

Proposed law retains present law but provides the payment of unearned premium be paid as computed on the customary pro rata rate unless otherwise stated in a policy filed with and approved by the commissioner.

Present law provides that in the event a personal line or commercial line insurance policy is canceled, any unearned premium and commission shall be computed on a pro rata basis. Proposed law deletes present law.

Present law provides that if no premium has been paid on the policy, the insured shall be liable to the insurer for premium for the period during which the policy was in force. Provides that except for surplus line insurers, any assessment of a monetary penalty by an insurer against an insured as a result of the insured's cancellation prior to the expiration of any policy is prohibited.

Proposed law retains present law and adds provisions that nothing in present law shall prohibit an insurer from calculating unearned premium based on a short-rate provision contained in any insurance policy that has been filed with and approved by the commissioner.

Effective August 15, 2011.

(Amends R.S. 22:885(B))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Insurance to the original bill.

1. Requires a policy to be filed and approved by the commissioner.