



LOUISIANA DEPARTMENT OF INSURANCE
JAMES J. DONELON, COMMISSIONER

P.O. Box 94214
BATON ROUGE, LOUISIANA 70804-9214
PHONE (225) 342-5900
FAX (225) 342-3078
<http://www.lidi.state.la.us>

ADVISORY LETTER NUMBER 06-02

April 6, 2006

TO: ALL PROPERTY INSURERS, SURPLUS LINES, and any and all other entities doing business in Louisiana and/or regulated by the Commissioner of Insurance and the Louisiana Department of Insurance

RE: INTERPRETATION OF EMERGENCY RULE 22 AND THE HURRICANE MEDIATION PROGRAM

Pursuant to Emergency Rule 22 every Louisiana insured with a residential property damage claim as a result of Hurricane Katrina and/or Hurricane Rita has the right to require the insurer who issued the policy of property insurance to mediate the claim. Hurricane Katrina struck Louisiana on or about August 29, 2005 and Hurricane Rita struck Louisiana on or about September 20, 2005. As such, the one year time frame for the mediation of these claims will expire respectively on or about August 29, 2006 for Hurricane Katrina and September 20, 2006 for Hurricane Rita. The spirit and intent of Emergency Rule 22 will be in jeopardy if mediations are not concluded on or before the one year anniversary date of the hurricane.

I have been advised by the American Arbitration Association (AAA), the Administrator of the Hurricane Mediation Program, that as of March 31, 2006 approximately 2,400 requests for mediation have been made by Louisiana insureds. AAA has advised that due to previous conference space constraints and availability of insurance company adjusters some mediations were being scheduled as far in advance as September and October of 2006. A mediation setting in September and October of 2006 would be after the one year anniversary date of the respective hurricanes and is unacceptable and not in keeping with the spirit and intent of Emergency Rule 22.

In March of 2006 AAA advised me that additional conference space had been obtained that will allow all currently scheduled mediations, and all mediations requested in the future, to be scheduled within 60 days of the date that the insured requests mediation of the claim.

Therefore, all property insurers, surplus lines insurers, and any and all other entities doing business in Louisiana and/or regulated by the Commissioner of Insurance and the Louisiana Department of Insurance are hereby advised that I have declared that any mediation requested by a Louisiana insured shall be scheduled and conducted within 60 days of the insured making the request for mediation with AAA.

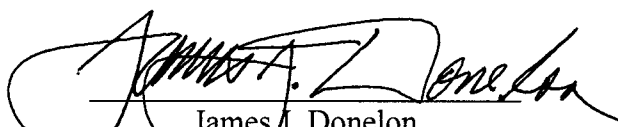
Furthermore, pursuant to the spirit and intent of Emergency Rule 22, every insurer subject to Emergency Rule 22 shall employ, engage or otherwise retain a staff of adjusters and/or management personnel of sufficient size and quality to ensure that the 60 day time period within which to schedule and conduct every mediation is adhered to in all respects. Failure of any insurer to comply with Advisory Letter No. 06-02 may be grounds for legal action by the Louisiana Department of Insurance.

It is imperative that all insurers recognize the fact that compliance with Emergency Rule 22 requires that all mediations be concluded on or before August 29, 2006 for Hurricane Katrina claims and on or before September 20, 2006 for Hurricane Rita claims. Accordingly, I will not tolerate any insurer not exercising the maximum effort to provide a mediation conference to any Louisiana insured that is entitled to the benefit and protection of Emergency Rule 22.

Any insurer that believes it has a valid reason for requesting that the mediation conference be held outside the 60 day time period must request such relief, in writing, from the Commissioner at least 30 days prior to the scheduled mediation. My decision on any such request shall be final.

AAA has been advised to track all mediation conferences that are not conducted due to the failure of the insurer to be present and mediate in good faith and report this information to me on a weekly basis. I will review this information and take appropriate action against any insurer deemed to be acting in bad faith.

Any questions regarding Advisory Letter No. 06-02 may be directed to Mr. Barry Ward, Chief Attorney, Office of the Commissioner of Insurance, at bward@ldi.state.la.us or by telephone at 225-219-4750.


James J. Donelon
COMMISSIONER OF INSURANCE