LOUISIANA INSURANCE
RATING COMMISSION

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Adoption of Policy Fee Approval Standards

LIRC 2000 - 01

OFFICIAL ORDER
of the
LOUISIANA INSURANCE RATING COMMISSION

Date: February 15, 2000

Subject Considered:

POLICY FEES CHARGED BY ADMITTED PROPERTY/CASUALTY INSURERS FOR ALL LINES OF COVERAGE AND OTHER RELATED ISSUES.

General Remarks and Official Action Taken:

On this date came on for consideration by the Louisiana Insurance Rating Commission (LIRC) a review of the policy fees charged by admitted Property/Casualty Insurers doing business in Louisiana. The Louisiana Insurance Code, Title 22 of the Louisiana Revised Statutes, provides that rates shall include due consideration for expenses and shall not be excessive or unfairly discriminatory. La.R.S. 22:1404(6) expressly provides that the **rate** charged by an insurer includes policy fees or other similar charges. All rates charged by an insurer, including policy fees, must be approved by the LIRC. Pursuant to La. R.S. 22:1401 et seq., the LIRC has the duty and the authority to determine if the amounts charged for policy fees are excessive.

Open discussion was held by the Commission members and comments were received from interested parties. Whereupon, it was determined that the approval standards set for the review of policy fees by the LIRC would be made applicable only to the fees charged for Private Passenger Automobile Insurance.

IT IS ORDERED that in the evaluation of PPA filings that include a policy fee:

1. The maximum approvable policy fee on new business is forty ($40) dollars, unless the insurer can prove with specificity actuarial justification for a higher fee.

2. The maximum approvable policy fee on renewal business is forty ($40) dollars, unless the insurer can prove with specificity actuarial justification for a higher fee.

An insurer may charge a policy fee on new or renewal business that is less than the maximum stated in 1. and 2. above.

IT IS FURTHER ORDERED that all insurers with rates on file which provide for a policy fee in excess of forty ($40) dollars must make a rate filing with the LIRC to amend the policy fee schedule or provide actuarial justification for continuing to charge a higher fee.

The effective date of this Order is March 15, 2000. The deadline for bringing rate filings into compliance with this Order is October 1, 2000.

Louisiana Insurance Rating Commission

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