



LOUISIANA DEPARTMENT OF INSURANCE  
JAMES J. DONELON  
COMMISSIONER

**BULLETIN 2020-07**

**TO: ALL AUTHORIZED PROPERTY AND CASUALTY INSURERS AND ALL SURPLUS LINES INSURERS**

**FROM: JAMES J. DONELON, COMMISSIONER OF INSURANCE**

**RE: TIMELY PAYMENT OF PROPERTY AND CASUALTY CLAIMS AND BAD FAITH DAMAGES**

**DATE: DECEMBER 11, 2020**

The purpose of Bulletin 2020-07 is to provide notification and guidance to all authorized property and casualty insurers and all surplus lines insurers (hereinafter jointly referred to as "insurers") of the statutory requirements placed upon them relative to their obligation as it relates to the timely payment of property and casualty claims to both first party insureds as well as third party claimants.

La. R.S. 22:1892 provides that **all insurers** issuing any type of contract other than life, health and accident, or workers compensation contracts shall comply with the following in their claims handling practices:

- 1) Insurers shall pay the amount of any claim due any insured within thirty days after receipt of satisfactory proofs of loss from the insured or any party in interest.
- 2) Insurers shall pay the amount of any third party property damage claim and of any reasonable medical expenses claim due any bona fide third party claimant within thirty days after written agreement of settlement of the claim.
- 3) All insurers shall make a written offer to settle any property damage claim, including a third party claim, within thirty days after receipt of satisfactory proof of loss of the claim.

Failure to comply with the above described claims handling practices, when such failure is found to be arbitrary, capricious, or without probable cause, shall subject the insurer to a penalty, in addition to the amount of the loss, of fifty percent damages on

the amount found to be due from the insurer to the insured, or one thousand dollars, whichever is greater, or in the event a partial payment or tender has been made, fifty percent of the difference between the amount paid or tendered and the amount found to be due as well as reasonable attorney fees and costs.

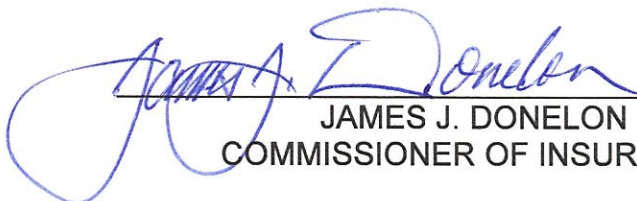
La. R.S. 22:1973 provides that an insurer, including but not limited to a foreign line and surplus line insurer, owes to his insured a duty of good faith and fair dealing. The insurer has an affirmative duty to adjust claims fairly and promptly and to make a reasonable effort to settle claims with the insured or the claimant, or both. Any insurer who breaches these duties shall be liable for any damages sustained as a result of the breach. The statute further provides that certain acts, if knowingly committed or performed by an insurer, constitute a breach of the insurer's duties of good faith and fair dealing. Among the acts enumerated are the following:

- 1) Failing to pay a settlement within thirty days after an agreement is reduced to writing.
- 2) Failing to pay the amount of any claim due any person insured by the contract within sixty days after receipt of satisfactory proof of loss from the claimant when such failure is arbitrary, capricious, or without probable cause.

The penalty provision of La. R.S. 22:1973 provides that in addition to any special or general damages to which a claimant is entitled for breach of the imposed duty of good faith and fair dealing, the claimant may be awarded penalties assessed against the insurer in an amount not to exceed two times the damages sustained or five thousand dollars, whichever is greater.

All insurers, including authorized insurers and surplus lines insurers are subject to the requirements of La. R.S. 22: 1892 and La. R.S. 22:1973 with regard to the timely payment of claims. Insurers owe a duty of good faith and fair dealing to their insureds in the claim handling process. Insurers who fail to comply with the statutory requirements regarding the timely payment of claims and settlements may be subject to regulatory action by the Louisiana Department of Insurance. Any questions or concerns regarding Bulletin 2020-07 should be directed to the Louisiana Department of Insurance, Office of Property and Casualty, at [public@ldi.la.gov](mailto:public@ldi.la.gov).

Baton Rouge, Louisiana, this 11<sup>th</sup> day of December 2020.

  
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JAMES J. DONELON  
COMMISSIONER OF INSURANCE