

October 10, 2006

INSURANCE INFORMATION NOTICE 2007-3

**PROPERTY COVERAGE CHANGES  
EFFECTIVE JULY 1, 2006**

Due to the dramatic changes in the property insurance market after the 2005 hurricane season, the Office of Risk Management was only able to purchase reduced coverage with considerably lower limits to protect the property of the State of Louisiana. The following outlines the property coverage that went into effect July 1, 2006:

- ORM self-insures up to \$50,000,000 combined single limit per occurrence, including flood, wind and earthquake. Excess commercial insurance then provides \$150,000,000 excess of the \$50,000,000 self-insured retention for all perils, except flood coverage on those properties south of the I-10/I-12 corridor, excluding Baton Rouge and Lafayette city limits.
- Flood coverage on buildings south of the I-10/I-12 corridor, excluding Baton Rouge and Lafayette city limits, is provided through individual flood policies purchased for each building located in flood zones A and V and/or those buildings previously damaged by flood in a previous declared disaster.
- The policy provides coverage limits up to replacement cost on buildings, actual cash value on personal property and movable/mobile buildings. **Coverage is limited to a maximum of 115% of the scheduled values on file at ORM at the time of loss, not to exceed the total policy limits of \$200,000,000 per occurrence.**
- Business income coverage including extra expense limit is one (1) year with a maximum of \$10,000,000. Payroll as part of business income is now EXCLUDED, except by written contract. Business income coverage is excluded when the property loss is caused by flood.
- Agency deductibles (per occurrence) are as follows:
  - \$1,000 for all covered losses, excluding flood
  - \$5,000 for flood losses

The property policy is no longer a "blanket" policy, where if state property was NOT reported to ORM and it sustained a loss, then ORM still had the ability to pay the agency. The policy is now a "scheduled" policy, where property will only be covered if it is scheduled with ORM. Now, if property is not scheduled with ORM and sustains damage, then ORM is NOT obligated to pay for the loss. **It is of the utmost importance to report newly-constructed or acquired property quickly and accurately to ORM for coverage to be in effect.** Newly-acquired or newly-constructed property must be reported to ORM within 30 days for coverage to be effective. The Exposure Reporting Manual found on the ORM website (<http://www.doa.la.gov/orm/uwexpman.htm>) provides the information and forms needed to report property.

If you have any questions, please contact Stanley Torkowski at (225) 342-8470.