Walsworth (HB 2018) **Act No. 1008**

Existing law provides that when the payment of an automobile liability insurance premium is made with a check that is returned because of insufficient funds, that shall be grounds to cancel the policy from the date the payment was due.

New law adds that it also applies to property, casualty, and liability policies and provides that it is grounds to cancel the policy from the date the payment was due for the initial or renewal term.

New law requires the agent to give notice of the dishonored check to the insurer within 10 days.

Prior law required the insurer to immediately notify the named insured of the cancellation of the policy from the date the premium payment was due. New law requires the insurer to give notice of cancellation to the insured within ten days of being notified by the agent or premium finance company.

Existing law provides for a 10-day waiting period from the date the cancellation notice is mailed, during which the insured may replace the dishonored check and the policy would not be canceled. If the dishonored check is not replaced and the policy is canceled, the insurer is required to return to the agent or finance company those funds that were sent to the insurer by the agent or finance company for that payment. New law requires the insurer to return the funds within 10 days of the expiration of the 10-day waiting period.

New law requires the returned funds to be paid by check or negotiable instrument and not credited to the account of the agent or the premium finance company unless they agree to another method of handling the funds.

New law provides that the original or a copy of the dishonored check is proof of its return by the financial institution and is considered sufficient proof in future litigation.

New law requires the agent to notify the insurer within 10 days if the dishonored check is paid by the insured by cash or certified check.

New law deletes the prior law that allowed an insurer to exercise his business judgment to use other liberal methods of processing a returned premium check.

New law provides that other legal waiting periods of 60 days do not apply to the return of funds by the insurer and requires the funds to be returned by check within 10 days of the expiration of the 10-day notice of cancellation.

Effective August 15, 1999.

(Amends R.S. 22:636.1(D)(3)(a), (b), (d), and (e))