

# The Hurricane Peril in Louisiana Post Katrina Landscape

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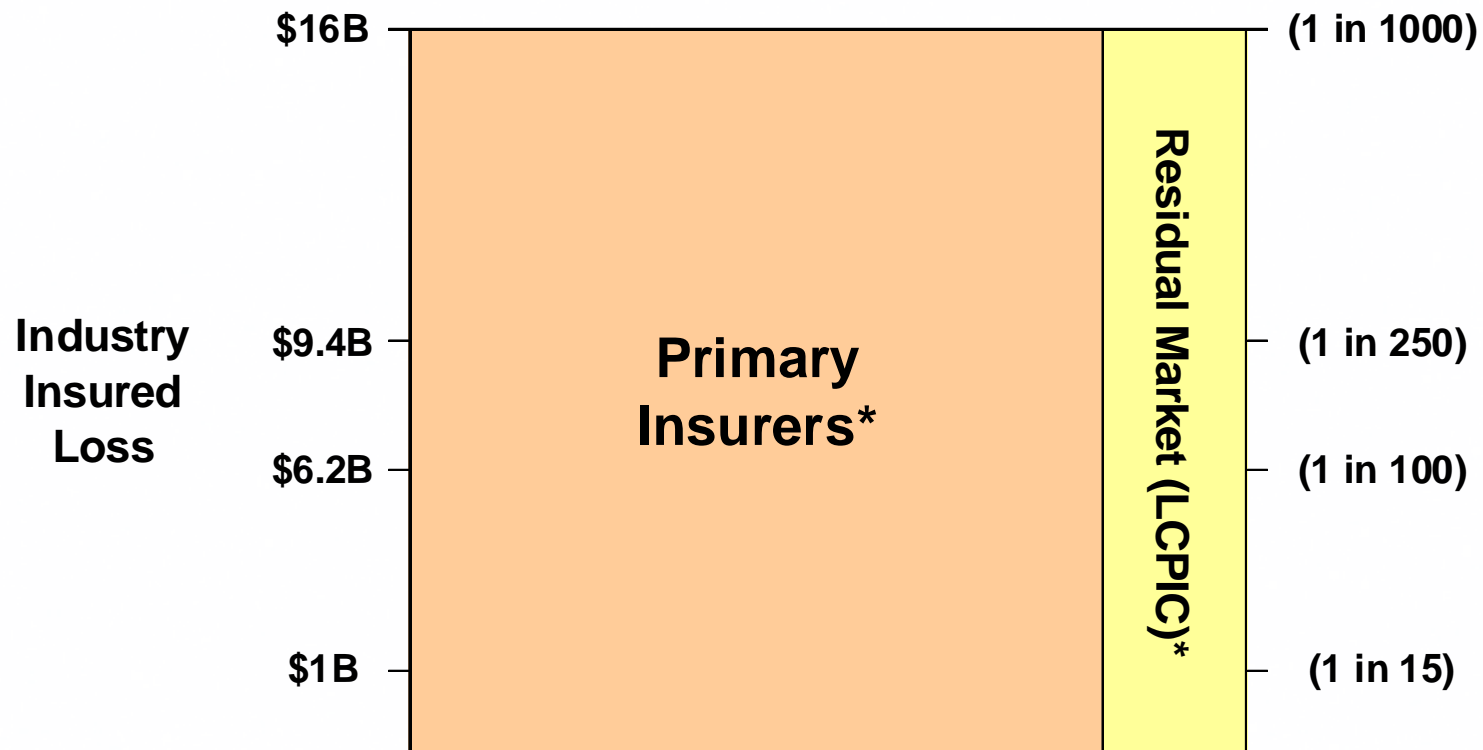
# The Hurricane Peril in Louisiana

## § Residential Property Insurance

- *Capacity*
- *Availability*
- *Affordability*

# The Hurricane Peril in Louisiana

## Capacity of Current System



\* Partly covered by Reinsurance/Cat Bonds

# The Hurricane Peril in Louisiana

Capacity Current System \$16B Event	
Primary Insurers	\$9.5 Billion
Reinsurance/Cat Bonds	4.1
LCPIC	2.4
Total	\$16.0 Billion

# The Hurricane Peril in Louisiana

## § Availability

- *Measured by size of residual market*
- *In Louisiana – Louisiana Citizens Property Insurance Corporation (“LCPIC”)*

# The Hurricane Peril in Louisiana

Size of LCPIC		
	Number of Policies	Amount of Insurance In Force
12/05 <sup>1</sup>	134,000	\$14.9 Billion
3/07 <sup>1</sup>	129,000	\$21.1 Billion
4/09 <sup>2</sup>	130,000 – 135,000	\$27 Billion

<sup>1</sup> LCPIC website

<sup>2</sup> Best Weekly Insurance Newsletter – April 27, 2009

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§ *How much do you pay for homeowners insurance?*



# The Hurricane Peril in Louisiana

## § Affordability

- *How much do you pay for homeowners insurance?*

State	Coverage A Amount	Premium
WI	\$200K	\$600
IL	\$200K	\$700
OH		
Others		



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## § Affordability

- *Louisiana annual homeowners premiums*

\$200,000 Coverage A Amount			
	Company A	Company B	LCPIC
City of New Orleans	\$2,501	\$2,815	\$3,810
Houma	4,059	2,838	2,843
Monroe	643	608	1,843

# The Hurricane Peril in Louisiana

## § Overview of ProtectingAmerica.Org Homeowners Defense Act of 2009

- *Establishes Homeowners Defense Fund and offers catastrophic reinsurance to state catastrophe plans*
- *Encourages states to create state catastrophe funds*
- *Standard attachment point for National Cat Fund layer*
- *Limit of National Cat Fund allowed to vary by state plan up to a maximum of the 1 in 600 year event*

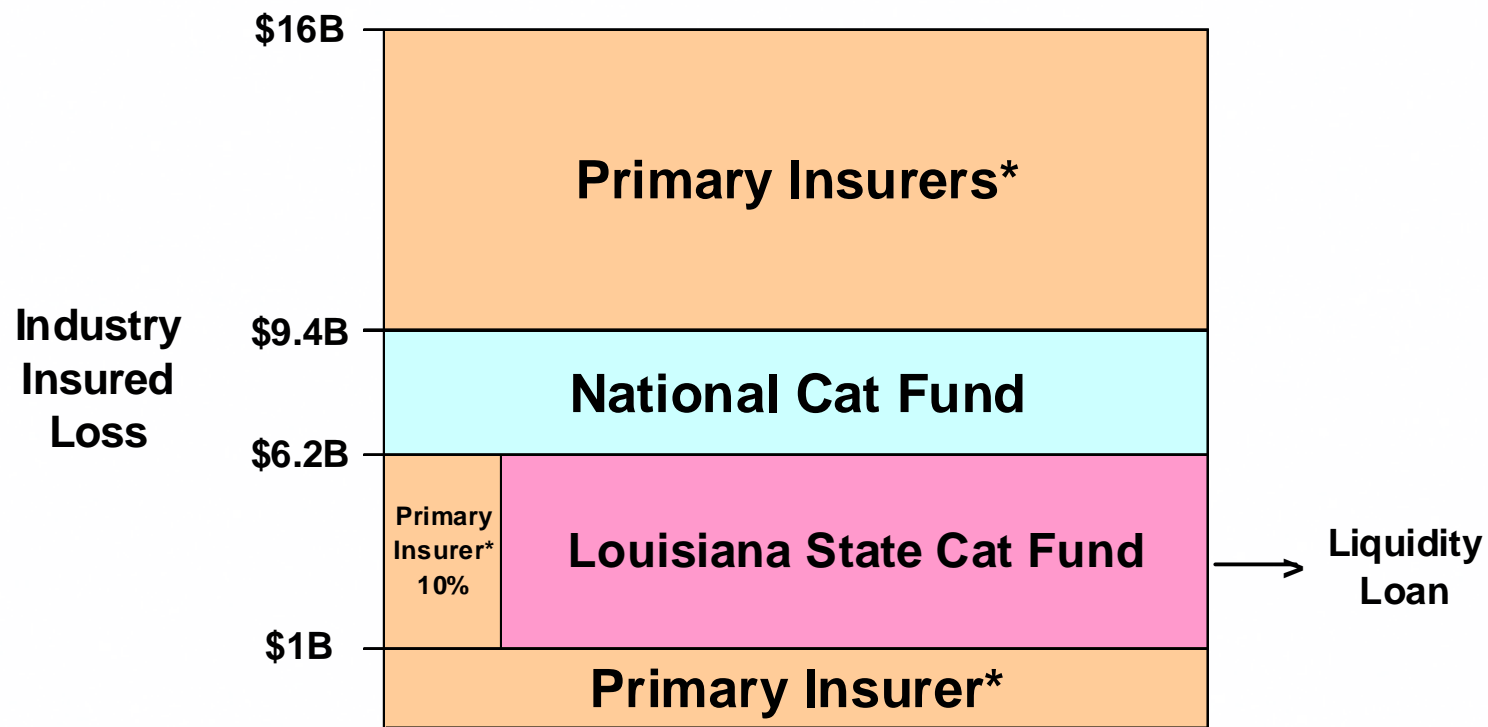
# The Hurricane Peril in Louisiana

## § Overview of ProtectingAmerica.Org Homeowners Defense Act of 2009, cont.

- *Offers liquidity loans to state plans*
- *Liquidity loans replace the need for state fund to issue bonds*
- *Terms of liquidity loans are flexible*
- *Catastrophe loans available to state residual market plans such as LCPIC*
- *Funding for mitigation & preparedness*

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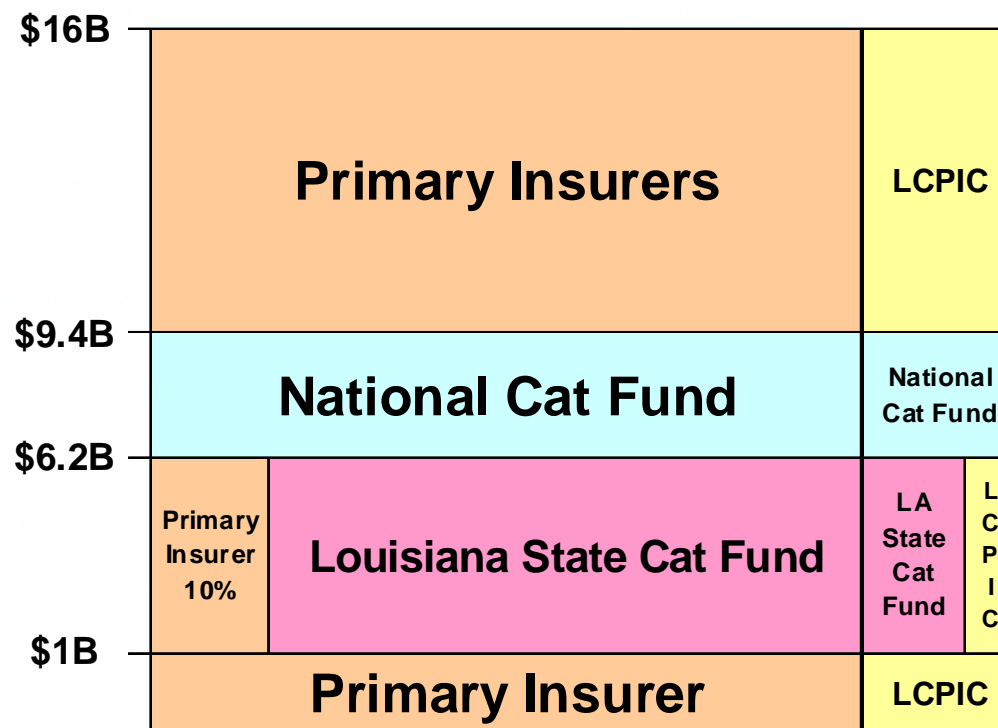
## Basic Structure of National & State Catastrophe Fund System



\* Can purchase Reinsurance / Cat Bonds

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## Capacity of National & State Catastrophe Fund System



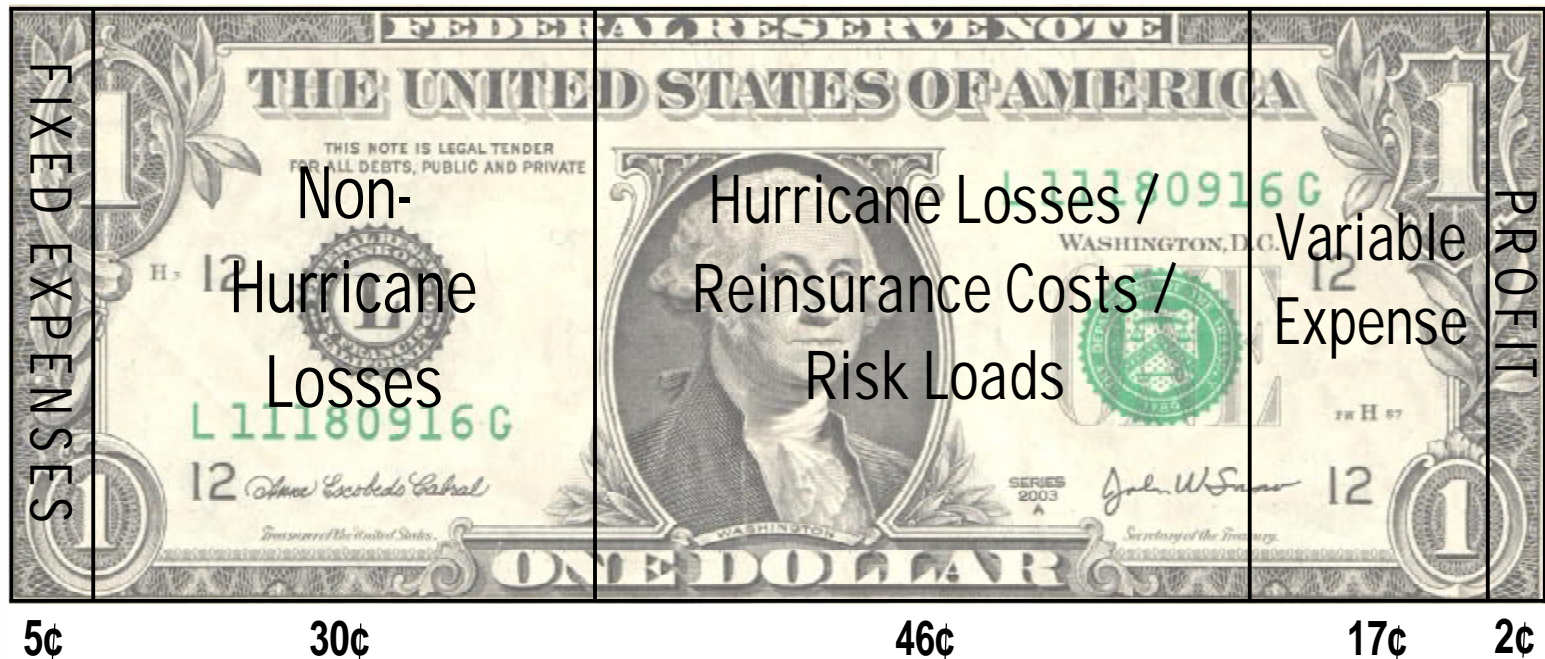
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Capital Comparison \$16B Event		
	Current System	National State Cat Fund System
Primary Insurers	9.5	6.9
Reinsurance/Cat Bonds	4.1	?
LCIC	2.4	1.2
LA State Cat Fund	0	4.7
National Cat Fund	0	3.2
Total	\$16 Billion	\$16 Billion

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## Breakdown of Current Homeowners Premium

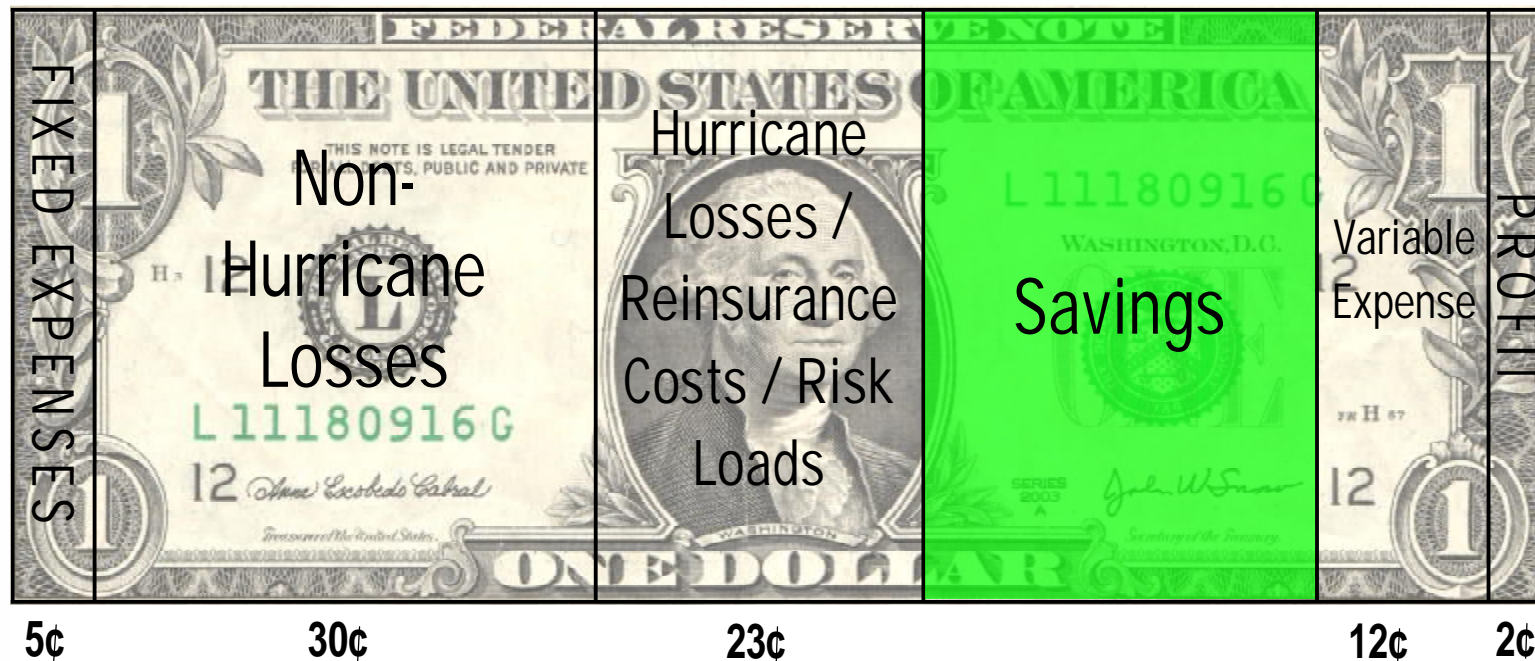
### Approximate Statewide Average



**Total Premium: \$1.00**

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## Breakdown of Current Homeowners Premium National / State Cat Fund System



**Total Premium: \$0.72**



# The Hurricane Peril in Louisiana

## § Closing Thoughts

- *Is there enough capacity to cover a \$16 Billion event in Louisiana?*
- *Are there availability issues for Louisiana Homeowners?*
- *Is Homeowners Insurance affordable for the average Louisiana homeowner?*