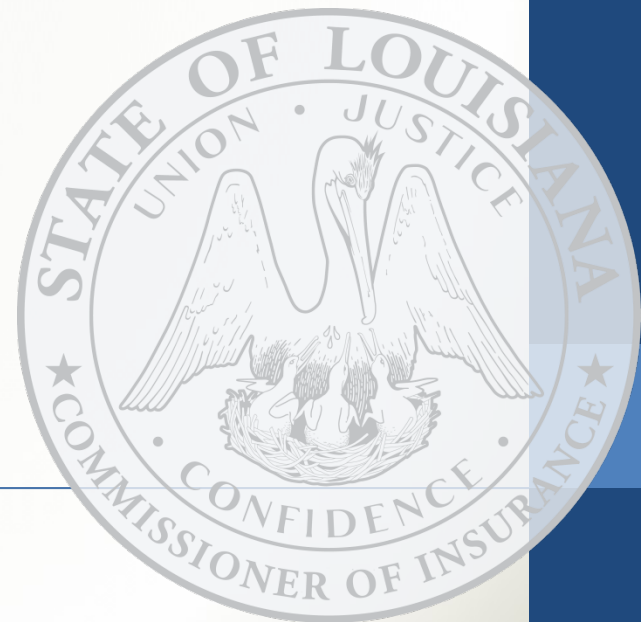


The Louisiana Homeowners' Insurance Market:

Availability, Affordability and a Prospective
Outlook

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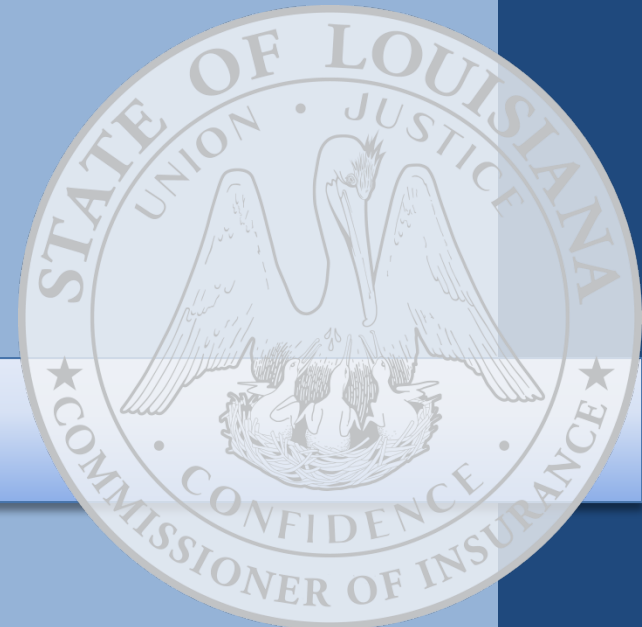




Topics of Discussion

- Availability and Affordability Post Hurricanes Katrina and Rita
- State and Federal Efforts
- Prospective Outlook

Homeowners' Market Prior to and Post Hurricanes Katrina/Rita





Homeowners' Market Prior to August 28, 2005

- Almost sixty-seven percent (67%) of the homeowners' market is serviced solely by two (2) national companies.
- The Louisiana Citizens Property and Casualty Insurance Corporation serves as the "insurer of last resort".
- Minimum all peril deductibles of \$500.00



Homeowners' Market Post Hurricanes Katrina and Rita

- Introduction of hurricane and wind and hail deductibles.
- Introduction of mandatory statewide hurricane deductibles of 2% and 5% for those two (2) carriers that held almost sixty-seven percent (67%) of the market.
- Several companies withdraw from the Louisiana market due to loss experience sustained as a result of the two hurricanes.
- Policy count for the Louisiana Citizens Property Insurance Corporation soars to over 100,000 policies.



Homeowners' Market Post Hurricanes Katrina and Rita

- Catastrophe models emerge and are revised to capture the prospective loss experience that resulted from the two hurricanes.
- The insuring of risks along the Louisiana coast becomes an expensive venture for those citizens who live in coastal areas.
- Flood, as an excluded peril in a homeowner's policy, becomes a harsh reality for consumers in the Greater New Orleans area.
- Louisiana's working coast vs. recreational coasts of other states.

LEGISLATIVE RESPONSE TO CHANGES IN HOMEOWNERS' MARKET





INSURE LOUISIANA INCENTIVE PROGRAM

- Created in 2007. [La. R.S. 22:2361- 22:2370]
- Purpose: To encourage additional companies to participate in the voluntary market and to encourage companies to depopulate Louisiana Citizens Property and Casualty Insurance Corporation (LCPIC).
- Many of the companies that qualified to assume policies held by LCPIC also established voluntary programs.



Establishment of a Four Percent (4%) Hurricane Deductible

- Established in 2010 (Act 854 of the 2010 Legislative Session; La. R.S 22;1265 (F) and La. R.S. 22: 1333(D).
- Provided homeowners companies with the option of offering a four percent (4%) hurricane deductible on a regional basis to those policyholders who have been with a company for more than three (3) years.
- Participating company would be required to submit a business plan to the Commissioner that would explain the company's plan to expand its book of business.

STATE AND FEDERAL ACTIONS IN RESPONSE TO MARKET





STATE RESPONSE

- **Creation of the Louisiana State Uniform Construction Code and Council (LSUCCC)**
 - Implementation of a statewide building code that was based upon the International Building Code standards.
 - Set specifications for windows and door openings based upon wind strength/speeds.
 - Code was adopted on a statewide basis. (La. R.S. 40:1730.22)



STATE RESPONSE

- **Louisiana Department of Insurance Bulletin 2013-08**
 - Wind Mitigation Credits, Wind Exclusion Credits, and Deductible Credits for Residential Property Insurance
 - Insurance companies were required to offer actuarially justified discounts on premiums for homes that have been built or retrofitted with damage mitigation components.
 - Incorporation of the components must be certified by a building inspector who has been certified by the Louisiana Uniform Construction Code Council.
 - Process codified as La. R.S. 22:1483



FEDERAL RESPONSE

- **U.S Army Corps of Engineers- Greater New Orleans Hurricane Damage Risk Reduction System**
 - Fourteen billion dollar (\$14 billion) project completed in 2018
 - Reinforcement and strengthening of canals and levee systems.
 - Construction of storm surge barriers; (i.e. Inner Harbor Navigation Canal Lake Borgne Surge Barrier.
 - Construction began in 2008 and was completed in June of 2013.



GNO Hurricane Risk Reduction System



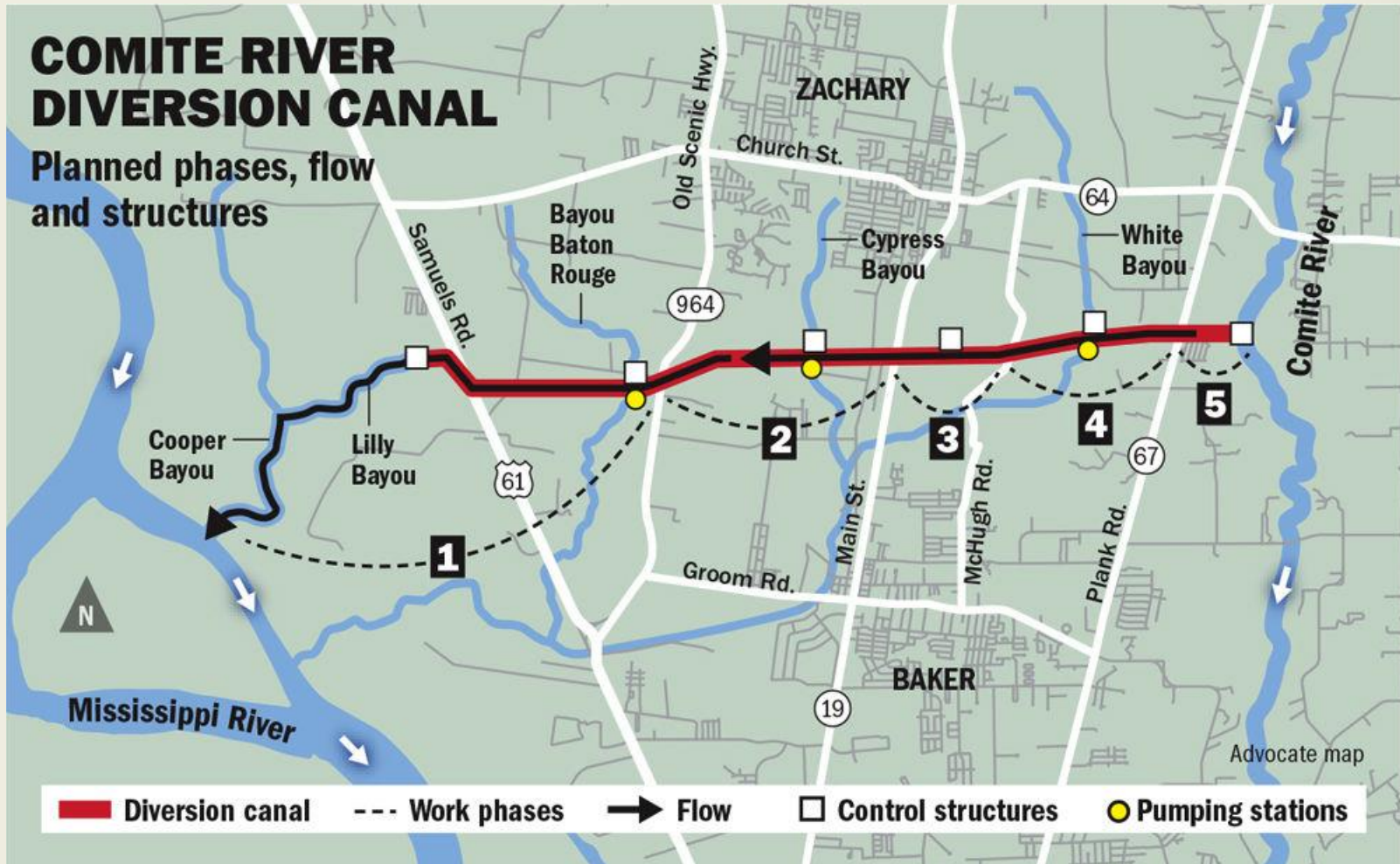


FEDERAL FUNDED PROJECTS

- In response to the Great Flood of 2016, the United State Congress, in 2018, appropriated funding to complete construction of the Comite River Diversion Canal.
- The concept of Comite River Diversion Canal was first developed in 1983.
- Parish tax assessments have been collected since the mid-1980's however, the drive to move forward on construction of the canal came after the flood of 2016.



Comite River Diversion Canal Map





Recent Observations Relative to the Homeowners Market

- At present, the Louisiana's homeowners market is very competitive.
- Companies have started to offer lower hurricane/named storm/wind and hail deductibles.
- Over the past two (2) years, rate increases have been relatively flat.
 - Year to date in March of 2019 - +0.1%
 - Year to date in March of 2018 - +0.3%



Prospective Outlook

- Competition and the entry of more homeowners' insurers into the Louisiana market will bring about more availability and affordability of homeowners' policies.
- Based upon conversations with insurers, the one hurdle that prevents more insurers from entering the Louisiana market is the three-year consumer protection rule. [La. R.S. 22:1333 (C) and La. R.S. 22: 1265 (D).
- Due to the successful results of the Insure Louisiana Incentive Program, the LCPIC's policy count has dropped from 174,000 policies in 2008 to 38,000 at the present.

QUESTIONS?

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