**Louisiana Property and Casualty Insurance Commission**

**Full Commission Meeting**

**Wednesday, October 19, 2011**

**Louisiana Department of Insurance**

**Plaza Hearing Room**

**1:30 p.m.**

**Minutes**

**Commission Members Present:** Commissioner Donelon, Ted Haik, Jeff Albright, Representative Page Cortez, Raymond Aleman, Sr., Robert Gaston (representing Sheriff Greg Champagne), Michael Guy, Wes Hataway, Ann Metrailer, Robert Moorman, Representative Chris Roy, Stephen Schrempp, and Rina Thomas

**Commission Members Absent:** Senator Dan Morrish, Senator Eric LaFleur, Representative Chuck Kleckley, Lee Ann Alexander, Paul Buffone, Manuel DePascual, Nick Gautreaux, LTC John LeBlanc, and Earl Taylor

**Commission Staff Present:** Terrell Moss, David Evans and Katie Walsh

**DOI Staff Present:** Lori Cherry, Clarissa Preston, Trent Beach, Charles Hansberry, and Bernadette Williams

The Louisiana Property and Casualty Insurance Commission meeting was called to order at 1:45 p.m. by Chairman Ted Haik. He welcomed commission members, guest speakers and all others in attendance.

Ms. Walsh called the roll.

Dr. Christine Berry, Associate Professor of Risk Management and Insurance at ULM College of Business Administration, gave a presentation on the condition of small business risk management in Louisiana based on a 2010 survey. The survey was prompted by concerns that arose following “intake surveys” conducted by the Louisiana Small Business Development Center (LSBDC) at Disasters Centers opened in 2008 for hurricanes Gustav and Ike. The findings presented to the commission came from data collected from risk assessment surveys of 240 small businesses conducted by ULM risk management and insurance majors and business continuity consultants from the LSBDC. Three of Dr. Berry’s students who helped with the surveys attended the meeting.

Included in the survey were questions about demographics, types of insurance and loss history. Based on data collected from the surveys, ten major concerns were identified:

1. **Many smaller businesses lack basic property insurance.**
2. **Larger businesses may have duplicate insurance.**
3. **Knowledge about many types of business insurance is lacking.**
4. **Business interruption insurance is unaffordable or unavailable.**
5. **Some businesses with employees lack workers’ compensation.**
6. **Newer businesses are less likely to have most types of insurance.**
7. **The amount of insurance and planning is positively related to the level of formal education.**
8. **South Louisiana businesses have more property coverage issues than north Louisiana businesses.**
9. **There is an alarming void of business continuity/ disaster recovery planning.**
10. **Many have access to only a narrow array of insurance options and their insurance is not “shopped”.**

The conclusion is that there is a need for education and assistance to small businesses, especially those with risks, such as floods, hurricanes, crime and employee injuries. Dr. Berry and her students are working to update the survey, hoping to clarify some questions and collect more extensive data. ULM is considering establishing a Small Business Risk Management Institute to focus on the unique education, consulting and advocacy risk management issues confronting small businesses in Louisiana.

Dr. Berry’s presentation is attached and made a part of these minutes. (Attachment 1)

Mr. Jeff Albright, CEO of the Independent Insurance Agents & Brokers of Louisiana (IIABL), recapped the 2011 IIABL Property Insurance Summit that was held in late September. The summit focused on analysis of RMS Model 11 and the impact that catastrophe losses and models have on various elements of the insurance market, including financial rating companies, modelers, reinsurers, regulators, property insurers and the consumer.

The components of RMS U.S. Hurricane Model 11, released earlier this year, that are predicted to have the highest impact are storm surge modeling and inland filling modeling, which forecast greater damage farther inland. Taking those into consideration, RMS Model 11 predicts an average statewide 66 percent higher catastrophic loss in Louisiana than its predecessor, according to Mr. Albright. Except for south Florida, Model 11 indicates a substantial increase in vulnerability for all the states along the Gulf coast. (See the Minutes of LPCIC’s April 14, 2011 meeting for additional information on RMS Model 11.) The drastic prediction could affect the availability and affordability of property insurance policies.

Other aspects of RMS Model 11 presented by Mr. Albright and discussed among the Commission members were: the increased weight given to strong building codes and the necessity of long-term claims data in the state for the model to give full credit for effective building code enforcement; potential availability and affordability problems if financial rating companies, like AM Best, use the model as a “stress test”; whether in the calculation of catastrophic exposure there was now an over-reliance on models without adequate consideration of the judgment of underwriters, engineers and loss control specialists.

Mr. Albright and Commissioner Donelon both expressed concern about the current catastrophe models and stressed the urgency and importance of having a more balanced, reasoned approach.

Mr. Albright’s presentation is attached and made a part of these minutes. (Attachment 2)

With no further discussion, a motion to adjourn this meeting of the Commission was made at 3:35 p.m.