

# **Louisiana Property and Casualty Insurance Commission Full Commission Meeting**

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**Thursday, October 28, 2010  
Louisiana Department of Insurance  
Plaza Hearing Room  
1:30 p.m.**

## **Minutes**

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**Commission Members Present:** Commissioner Donelon, Ted Haik, Jeff Albright, Representative Nickie Monica, Raymond Aleman, Sr., Lee Ann Alexander (via conference call), Chris Broadwater, Paul Buffone, Manuel DePascual, Chris Haik, LTC John LeBlanc, Robert Moorman, Michael Guy and Marc Carter (representing Stephen Schrempp)

**Commission Members Absent:** Senator Eric LaFleur, Senator Dan Morrish, Representative Page Cortez, Sheriff Greg Champagne, Kay Hodges, Ann Metrailler, Carrie Pena and Earl Taylor

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

**DOI Staff Present:** Denise Brignac, Ed O'Brien, Rich Piazza, Clarissa Preston, Charles Hansberry, Lori Cherry, Judy Wright, John Lamke, Sherice Forte and Denise Cassano

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Chairman Haik called the meeting to order at 1:40 pm. He welcomed the Commission members and thanked them for their attendance.

Ms. Walsh called the roll, reporting that a quorum was present.

The new members of the Louisiana Property and Casualty Insurance Commission (LPCIC) were introduced to those present: Mr. Paul Buffone (LWCC representative), Mr. Robert Moorman (PIAL representative), and Ms. Carrie Pena (Governor's designee). Chairman Haik welcomed the new members and thanked them for joining the Commission.

A panel of guest speakers representing a cross-section of incentive companies updated the LPCIC on the companies' participation in the incentive program.

Mr. Marc Carter, President of Imperial Fire and Casualty Insurance Company, a multi-line domestic insurer, credited Imperial's incentive program grant with allowing it to expand its homeowners business into the Louisiana market. Mr. Carter estimated that Imperial currently has 8,600 homeowners policies in force in the state and is still actively writing business. However, it probably will have to return a portion of the grant money to the state next year, as it fell short of reaching its requirement of writing \$20 million in premiums this year, in part because of the company's appetite in risk selection. Mr. Carter reported that about 80 percent of all premiums

written by Imperial Fire are in the GO-Zone. He also reported that half of the total premiums written are prior Citizens' policies.

Ms. Mary Frances Fournet, Vice President of American Strategic Insurance Corporation (ASI), a Florida based company that writes only homeowners and specializes in catastrophe exposure, cited personal appeals from the Commissioner and prior tort reform as reasons ASI pursued an incentive grant. ASI currently has 335 agents in the state. They have written 31,700 homeowners policies in LA, and that number is steadily growing each month. Over 70% of ASI's business is in the GO-Zone with about 24% in the New Orleans area.

In discussion, Ms. Fournet echoed comments Mr. Carter made about the challenge of maintaining a proper spread of risk, since their book of business is concentrated in coastal Louisiana and it is difficult to grow in the competitive homeowners market in the northern part of the state. Ms. Fournet acknowledged that the statewide enforcement of the new building codes was important to ASI, but even more important to policyholders because it allows ASI to more accurately rate risk and reward the homeowner with better rates and discounts. However, lack of data availability in the state poses a serious challenge for matching rate to risk, increasing the cost of reinsurance, and leading to higher rates for policyholders in general, because the better risks cannot be distinguished. Louisiana and New Jersey were cited as the worst states in the country for having data available online that can be aggregated to determine what you are insuring. Elsewhere (Florida – particularly the Escambia County Appraiser's Office – and Texas were named as examples.), each county's (parish's) Tax Assessor's office has a thorough automated collection of property data including square footage, year built, diagrams, assessed values, photos, previous sales amounts, sales in the immediate area, an interactive map that shows where the property lies in relation to the coastline, etc.

Mr. Randy Noel, past chairman of the state building Code Council, noted that the Code Council is distributing money to the Building Code Offices to collect that data (GSI capabilities and construction plans for new construction) and it is only a question of how that data needs to be formatted.

Southern Fidelity Insurance Company, primarily a catastrophe insurer, chose to participate in the Incentive Grant Program in 2008 – shortly before Hurricane Gustav impacted the state (6000 claims totaling \$22 million in payments) – as an opportunity to diversify its book of business beyond Florida and South Carolina. Mr. Larry Seal, LA State Marketing Representative for Southern Fidelity, reported that participation in the program has been positive for the company and a recent "modeling" by their reinsurer indicated a favorable spread of risk. Southern Fidelity is aggressively pursuing the fourth round of depopulation. Mr. Seal suggested that one impediment to the removal of additional policies from Citizens is those captive agents whose insurer/employers prohibit their agents from authorizing removal of their Citizens' business to take-out insurers.

Mr. Albright noted that former Citizens CEO Wortman was trying to solve this impasse by having reluctant insurers employing captive agents engage a Managing General Agency (MGA) to determine whether a policy sought by a take-out company should be removed from Citizens and written by that take-out company or by the reluctant insurer itself. At least one insurer employing captive agents is moving in this direction. Further discussion centered on the new law

that requires Citizens to inform its insured that coverage may be available through the private market, the possibility that Citizens could discount the commissions of those agents employed by insurers who refuse to allow their participation in take-out, and that it might be possible for an insurer and a take-out company to jointly file multi-policy discount rates so that the insurer would not necessarily lose auto and other multi-policy business by allowing the non-affiliated take-out insurer to write its Citizens-insured homeowner.

Chairman Haik welcomed Mr. Richard Robertson, the new CEO of Citizens, on behalf of the LPCIC. Mr. Robertson updated the Commission on Citizens. He feels confident that the company is better prepared for any future disasters. Citizens is also working on its computer system and is focusing on improving communication with both agencies and consumers. Thus far, in this fourth round of depopulation, over 7000 policies have been authorized to be taken out of Citizens, and over 30,000 policies have been requested by the take-out companies. By the end of this round perhaps as many as 15,000 policies will be removed from the current roughly 130,000, which would be really good. He stated that the goal for Citizens, as in any residual market operation, is to make sure that the policies that it has belong in the residual market, not the voluntary market. Mr. Robertson said that Citizens plans to continue the depopulation process as long as it is successful and no more policies can be taken out.

Chairman Haik recognized representatives from other companies in attendance: Mr. Ron Chapman, President of Lighthouse Property Insurance Corporation; Ms. Carolyn Brewer, LA State Manager of Gulfstream Property and Casualty Insurance Company; Mr. Bill Newton, LA State Executive of GeoVera Insurance Company; Ms. Julie Pellegrini, Ms. Judy Copechel, and Ms. Deborah Brcka, Management Team of Bankers Specialty Insurance Company; and Ms. Leeann Manalla representing Occidental Fire & Casualty Company of North Carolina.

Chairman Haik recalled some of the positive strides the state of Louisiana has recently taken in regards to the insurance industry. Tort reform, depopulation, the statewide building code, and the abolishment of the Louisiana Insurance Rating Commission have all helped make the state more attractive to insurers. He also commended Commissioner Jim Donelon on his leadership and congratulated him on recently being elected Secretary/ Treasurer of the National Association of Insurance Commissioners.

Commissioner Donelon thanked the representatives of the insurance companies present at the meeting and conveyed to them that they are much appreciated and needed in the state. He assured them that he will continue to work to create a fair market that they can successfully do business in. The Commissioner also thanked the members of the LPCIC for their continued work in keeping property and casualty insurance issues at the forefront of the Legislature-keeping them aware of the state of the market, consumer issues, and also company issues.

A panel discussion on wind mitigation took place. Mr. Ed O'Brien, Deputy Commissioner of Property and Casualty, Department of Insurance, discussed LDI Regulation 94, which implemented the law that requires insurance companies writing homeowners' business in Louisiana to offer insurance premium credits on homes with wind mitigation improvements or construction techniques that have been demonstrated to reduce wind damage. The credit is based on the wind storm portion of the policy premium. The insured must have a survey of the home completed to determine eligibility for premium credits.

Mr. Bill Hatchett of Wind Mitigation Surveyors explained wind mitigation, state building codes and IBHS “fortified” home and testing standards. He also described challenges in achieving the dual purpose of the wind mitigation regulation, which is one, to encourage the homeowner to build or retrofit to the stronger standard; and two, to provide an insurance discount for consumers. Some of the roadblocks continue to be a lack of public awareness, educating surveyors and standardization of reporting.

Mr. Randy Noel, past chairman of the LSUCCC, gave examples of specific measures that can be taken to comply with the code (shutters, bolts, brackets, roof shingles, etc.) and also spoke about the need to motivate consumers to retrofit their homes to the stronger state building code and wind mitigation standards. He spoke about training requirements for home inspectors, architects and engineers. Mr. Noel also raised the issue of the continued need for awareness regarding the statewide building code and proposed the creation of a matrix that would disclose the range of premium credits available through each insurer.

The following points arose from discussion among the panelists, Commission members, and guests on the various challenges to fuller implementation of wind mitigation that were presented by Mr. Hatchett and information reported by Mr. Noel.

- Increase contractor awareness of several high impact construction techniques – especially the use of a secondary water barrier by roofing contractors.
- Increase consumer awareness by amending the LDI consumer brochure on wind mitigation to include explanations of several construction techniques and that certain products must be certified to be eligible for premium discounts – particularly use of secondary water barrier and the distinction of qualifying storm shutters.
- Increase consumer awareness and incentive by creation of a matrix containing the basic structure of the premium discounts or credits available from each insurer. Producers and wind mitigation surveyors would be better able to inform their clients of the potential premium savings available through their own insurer in order for the client to weigh the ultimate cost of an investment in specific mitigation measures.
- Increase agent awareness of wind mitigation premium discounts through Continuing Education seminars.
- Better educate wind mitigation surveyors on the intricacies and variations in the wind mitigation survey forms required by various insurers.
- Enlist the aid of the insurance industry in moving toward a more standardized wind mitigation survey form.

Ms. Diana Schehr, an insurance agent, affirmed that wind mitigation credits have saved the agency’s homeowner clients surprising amounts on their premiums and have helped retain homeowner business.

At 3:50, with no further business to discuss, Mr. Haik made a motion to adjourn the meeting and Mr. Albright seconded.