

# Louisiana Property and Casualty Insurance Commission

## Full Commission Meeting

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Wednesday, August 22, 2012  
Louisiana Department of Insurance  
Plaza Hearing Room  
1:30 p.m.

### Minutes

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**Commission Members Present:** Commissioner Donelon, Ted Haik, Representative Kirk Talbot, Raymond Aleman, Sr., Lee Ann Alexander, J.E. Brignac, Jr., Jill Jarreau (representing Steve Campbell), Anne Cassity, Michael Guy, Wes Hataway, Scott Landry, Robert Moorman and Earl Taylor

**Commission Members Absent:** Jeff Albright, Senator Dan Morrish, Senator Eric LaFleur, Representative Greg Cromer, Paul Buffone, Sheriff Greg Champagne, Manuel DePascual, LTC. John LeBlanc, Clarissa Preston and Chris Roy, Jr.

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

**DOI Staff Present:** Ed O'Brien, Caroline Brock and Ileana Ledet

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The Louisiana Property and Casualty Insurance Commission (LPCIC) meeting was called to order at 1:40 p.m. by chairman Ted Haik. He welcomed commission members, guest speakers and thanked all those in attendance.

Ms. Walsh called the roll and recorded the meeting attendance.

Mr. Haik acknowledged that as a result of Act 317, two new positions have been added to the Commission- Mr. Scott Landry, LA Surplus Line Association representative, and Ms. Clarissa Preston, Deputy Commissioner of Consumer Advocacy, LDI. The LPCIC also acquired several new members due to previous resignations from the Commission- Mr. J.E. Brignac (LAFAC, Inc. representative), Ms. Anne Cassity (Governor's designee) and Mr. Steve Campbell (LA Department of Public Safety, Commissioner of OMV).

Mr. John Fleming, III, CEO of Fleming and Hall (an outsource claims service) spoke to commission members about the current claim environment in Florida. He reported that Florida Citizens dominates the marketplace, having become the market of first resort. They write about 25 percent (1.4 million policies) of all homeowner's policies in the state with the overall exposure being \$225.2 billion.

According to Mr. Fleming, the average homeowner policy premium is \$1,386 in Florida and \$1,257 in Louisiana. However, Florida has more claims with nine per 100 policies while

Louisiana has six. The primary cause for claims filed in Florida is water; the average water claim payment is \$10,150. In comparison, the average water claim payment in Louisiana amounts to \$4,200. Fire and lightning claims result in the largest average payments in Florida at \$27,700 while similar claims average \$25,300 in Louisiana.

In 2004, Florida experienced 4 hurricanes, which resulted in a delay in adjustment. All claims advance payments were in ACV (actual cash value). Complaints from consumers prompted legislation to be passed in 2006, resulting in RCV (replacement cost value) payment for insurance claims, without demonstration of repairs. The new legislation ultimately led to an increase in public adjusters and the frequency of mold claims, resulting in significantly higher loss ratios.

Presently, sinkhole is the leading cause of non-catastrophic loss in both the private market and Citizens in total exposure and loss adjustment expense. Citizens is bringing in approximately \$30 million in premiums for sinkhole coverage with an anticipated payout of \$500 million. One in five sinkhole claims results in litigation. The company has spent \$2.7 billion in direct legal expenses since 2004 on adjudicated mold and sinkhole claims. Claim frequency is up by a third.

Florida Citizens is also struggling with depopulation. In 2008, there were almost 400,000 takeout policies; in 2012, there may be 60,000. There are about 3,000-5,000 new policies written each week, greatly increasing Citizens' exposure.

Following the report, there were commission member comments and questions.

Mr. John Wells, Director of Operations, Louisiana Insurance Guaranty Association (LIGA) spoke to the commission about LIGA and presented a PowerPoint overview.

By statute, LIGA's purpose is "to provide for the payment of covered claims under certain insurance policies with a minimum delay and a minimum financial loss to claimants or policyholders due to the insolvency of an insurer," or, as Mr. Wells stated, to "provide the last step of policyholder protection". LIGA only protects policyholders of admitted insurers and is triggered by a judicial finding of insolvency and a liquidation order. LIGA does not cover all types of insurance claims.

Presently, the majority of claims are environmentally related, such as asbestos. Mr. Wells spoke about the make-up of the board, recent history, funding, minimum and maximum limits, and emerging issues on the state, national and international levels.

Mr. Richard Robertson, CEO of LA Citizens Property Insurance Corporation (Citizens), gave an update on the current state of Citizens. He reported that Citizens continues to be very successful with their depopulation program, and keeping those depopulated policies out of Citizens. Last December, about 9,600 policies were removed from the company.

He spoke about the recent class action lawsuits against Citizens, which were identified as the Oubre, Orrill and Thibodeaux cases. As of now, the cases are still not settled.

Currently, Citizens wind and hail only policies have increased in number by about 10 percent since the beginning of the year. About 75 percent of all of Citizens' commercial business and 30 percent of all personal business are wind and hail stand-alone policies.

Citizens has adjusted their wind and hail policy rates, effective June 1, 2012. The legislature passed a bill requiring Citizens to reduce their premiums in coastal parishes by 10 percent, resulting in a loss of \$1.2 million per month. The company plans to meet with their board in November to offer an analysis and discuss recommendations for changes to be made to their strategy of issuing wind and hail only policies.

Mr. Robertson reported that Citizens' reinsurance program is very strong and will offer sufficient coverage. After paying the first \$75 million in losses, Citizens will have \$450 million in reinsurance coverage. The company has also hired an experienced claim executive, further preparing them in the event that a catastrophe should occur this year.

Mr. Ed O'Brien, Deputy Commissioner- Office of Property and Casualty at LDI reported on 2012 legislation. Some of the legislation discussed included:

**Act 512-** gives law enforcement the authority to impound a vehicle if the driver does not have proof of insurance.

**Act 221-** provides for deductible reimbursement by uninsured motorists.

**Act 824-** allows electronic display of proof of insurance, allowing drivers to carry a copy of their insurance identification card on their smart phone.

**Act 271-** the final bill providing for the technical recodification of Title 22.

**Acts 311, 368, and 749** were also discussed.

Commissioner Donelon credited Representative Talbot for Act 419, which liberalizes the collateral requirement for offshore reinsurance and also emphasized the importance for our state market.

With no further discussion, the chair called for a motion to adjourn from Mr. O'Brien with all those present in agreement. The LPCIC meeting adjourned at 3:00 pm.