

Louisiana Property and Casualty Insurance Commission Full Commission Meeting

**Thursday, February 21, 2008
Louisiana Department of Insurance
Plaza Hearing Room
1:30 p.m.**

Minutes

Commission Members Present: Commissioner Donelon, Ted Haik, Senator Donald Cravins, Jr., Jeff Albright, Phyllis Perron (representing Lorrie Brouse), Marc Carter, Mike Barron (representing Col. Champagne), Steve Hymel, Chuck McMains, Tom O'Neal, Earl Taylor, and Aubrey Temple

Commission Members Absent: Richard Clements, Sen. Dan Morrish, Rep. Page Cortez, and Rep. Nickie Monica

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

DOI Staff Present: Clarissa Preston, Joyce Paul, Rachele Carter, John Lamke, Elayne Santangelo, and Sherice Forte

Chairman Ted Haik called the meeting to order at 1:45 pm.

Ms. Walsh called the roll and a quorum was present.

Mr. Haik welcomed the LPCIC members and thanked them for their attendance despite the inclement weather and recognized that their attendance at the meetings was important and appreciated. He also announced three new Commission members: Representative Page Cortez, Representative Nickie Monica, and Senator Dan Morrish.

Commissioner Donelon briefed the Commission members on the Department of Insurance's legislative package, which is being prepared for the regular session next month. Two specific items supported and mentioned by the Commissioner were the abolishment of the PIAL and the licensing of captive insurance companies in the state. He expressed recognition of the importance of the LPCIC and his appreciation to the members, especially Senator Cravins and the other legislators on the commission. The Commissioner thanked Chairman Haik for his dedication to the commission and spoke of the positive feedback that he has received on the accomplishments of the LPCIC. He mentioned some of the positive steps Louisiana has taken in making the insurance market more accommodating to consumers, and more favorable for companies to do business in the state. He mentioned that the current market is generally a soft one, especially in terms of auto, medical malpractice, and workers' compensation and that together we are making significant progress in the property insurance market. As evidence of the positive image that

Louisiana is developing, the Commissioner noted that former LADOI Commissioner of Health, Scott Kipper, was recently appointed Commissioner of Insurance for the state of Oregon.

The Commissioner suggested that the Commission look into “real time” verification of auto insurance coverage. General discussion followed. Mr. Hymel noted that within a year OMV will have a computer system in place that will allow Louisiana to go to a flat, bar-coded license plate, which when scanned by a police officer will, among other things, alert the officer as to whether the vehicle is currently insured according to OMV records. Mr. Albright expressed concern that “real time” might create problems for those drivers nonrenewing one policy and obtaining another with no lapse in coverage.

Mr. Ed O’Brien, newly appointed Deputy Commissioner of Property and Casualty, and Ms. Alison Jones, Legislative Coordinator, expanded upon the legislative package for property and casualty prepared by the Department of Insurance and explained each proposed idea. The following are the recommended concepts, discussion, and action taken by the Commission members.

- License captive insurance companies in Louisiana.
This proposal would allow captive insurance companies to form in the state and be regulated by the Department of Insurance.

Mr. Albright moved to pass the recommendation.

Mr. Temple seconded the motion.

The motion passed without opposition.

- Abolish the PIAL and replace it with an industry service bureau.
Louisiana is one of only five states with an independent fire rating bureau. The rest of the country contracts out the fire rating function to one of the national industry service bureaus, such as ISO or AAIS. Abolishing the PIAL would bring the state in line with other states, making Louisiana a more favorable market for insurance companies to do business in.

A discussion followed the explanation of this proposal. Mr. Taylor presented his views against changing the present management. Mr. Hymel followed by agreeing that initially he too felt that way on other insurance issues, but stressed the positive aspects of Louisiana getting up to par with the national standard.

Mr. Temple moved to pass the recommendation.

Mr. Albright seconded the motion.

The motion passed with one vote in opposition (Mr. Taylor).

- Incentive Program Adjustments
Adjust three specific details in the \$100 million Insure Louisiana Incentive Program. These details are:
 - Adjust the claw back provision to be allocated on a pro-rata basis.

- Add a drop dead date for compliance with the grant program.
- Add a third offering to companies to participate in the incentive program with the remaining grant money.

A discussion followed on the Incentive Program: current law, how it has been promoted, grants awarded to date, expected impact on the de-population of LA Citizens, overall effectiveness, and the need for the proposed changes.

Mr. Albright moved to pass the recommendation.

Mr. McMains seconded the motion.

The motion passed without opposition.

*For the record, Mr. Carter abstained from voting on this issue.

- Vehicle Mechanical Breakdown (VMB) Insurers would be required to file their policy forms with the Department of Insurance.
There is currently no regulation, therefore the forms and coverages vary widely. Requiring these insurers to submit their forms for approval would allow the DOI to regulate them to the advantage of the consumer.

Mr. Albright moved to pass the recommendation.

Mr. Hymel seconded the motion.

The motion passed without opposition.

[The Commission also discussed the similar lack of regulation of Property Residual Value Insurers, which covers vehicles and includes gap and extended warranty insurance. While the Commission recognized a similar need to require these insurers to file their policy forms with the DOI for approval, the Commission did not formally vote on this concept.]

- Reintroduce zone deductible legislation and address the issue of stacking deductibles on claims.
The stacking deductibles proposal deals with personal lines and would allow only one deductible when filing a claim. The problem was recognized on mobile home claims after the 2005 storms.
The Commission supported zone deductible legislation for the 2007 Regular Session.

Senator Cravins announced that he is authoring this bill. He requested help from the Commission in lobbying efforts, and he urged the Commission members to come together on important bills, especially ones dealing with property and casualty.

Mr. Taylor moved to pass the recommendation.

Mr. Albright seconded the motion.

The motion passed without opposition.

The Sub-committee (Mr. Haik, Mr. McMains, Senator Cravins and Ms. Clarissa Preston) for legislative changes to the LPCIC presented their report to the Commission. The committee met on January 23rd and further discussed these changes via phone calls and e-mail. The sub-committee presented drafted legislation on the changes proposed and the additions for membership to the Commission.

The amended membership included representation from the following:

- American Insurance Association, the deputy commissioner for Consumer Advocacy in the Department of Insurance, representatives from the top three insurers (two personal lines, one commercial), Louisiana Realtors Association, Louisiana Bankers Association, Louisiana Home Builders Association, Louisiana Association of Business and Industry, Louisiana AFL-CIO.

Mr. Albright proposed to amend the language in C. (25) of the draft to read as follows:

“A representative of each of the three property and casualty insurers that write the greatest amount of direct written premium in the state of Louisiana as reported to the National Association of Insurance Commissioners such that two of the insurers are writers of the greatest amount of personal lines insurance and one insurer is the writer of the greatest amount of commercial multiperil insurance and no parent group insurance company has more than a single representative.”

Mr. Albright also suggested that the Commission add a representative from Louisiana Citizens Property Insurance Corporation to the Commission. The motion passed with no opposition.

In discussion, Mr. Temple wanted clarification that LWCC would continue to be represented on the Commission. Duly noted by all and agreement.

Mr. Haik suggested that the LPCIC staff research by-laws and public meeting laws upheld by other commissions, and present them at an upcoming meeting.

With no further business to discuss, a motion to adjourn was made by Mr. McMains, seconded by Mr. Albright. The LA Property and Casualty Insurance Commission meeting adjourned at 3:30 p.m.