



# Louisiana Department of Insurance

## LOUISIANA PROPERTY & CASUALTY INSURANCE COMMISSION



James J. Donelon  
Commissioner of Insurance

Terrell B. Moss, Director

### MONTHLY REPORT

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### National Flood Insurance Update

The following is an editorial that appeared in the January 25, 2014 edition of the *Daily World* and is re-printed in this newsletter as noteworthy:

#### Jim Donelon: Insurance reform law had unintended consequences

As Louisiana Insurance Commissioner, I frequently receive questions about how homeowners can lower their premiums or what factors impact auto insurance rates. These are questions I can and do answer on a daily basis. But when it comes to skyrocketing flood insurance rates, although I share the pressing concerns of home and business owners, as Insurance Commissioner I am powerless to change them. That said, this is an issue in which I have taken an active role and for which I am hopeful we will find a long-term solution.

The National Flood Insurance Program (NFIP) was created by Congress to provide property owners with protection from flooding. Louisiana has been an active participant in the program, ranking third in the nation for most premiums paid and policies in place. Louisiana has received higher payments than any other state, totaling more than \$16 billion, with most of those payments made following hurricanes Katrina and Rita.

The Biggert-Waters Flood Insurance Reform Act of 2012 revamped the NFIP, putting it on a five-year glide path towards actuarially sound rates. The unintended consequence was the steep rate increases that we are now seeing in Louisiana and many other parts of the country. Biggert-Waters rate increases will render properties worthless in every state, but more so in Louisiana. Ours is a working coast populated by people who live there because they need to be there to support our state's economy and, through energy production and seafood harvesting, our nation's economy.

Measures have been proposed in Congress to delay the rate increases with the most recent action being the omnibus spending bill that includes a one-year delay for grandfathered policyholders whose properties are remapped into higher risk designations. A more expansive measure proposed by U.S. Sen. Robert Menendez and supported by both U.S. Senators David Vitter and Mary Landrieu, would delay by about four years the rate hikes on primary residences that haven't suffered repeated flooding and have received grandfathered lower premiums. The legislation also delays the property sale trigger so that homes and businesses sold after July 6, 2012, would not see automatic insurance increases.

A leading group in the effort to find solutions and build a national consensus has been Greater New Orleans Inc. When I met with President Obama at the White House on other matters in November, I presented him with a letter from GNO Inc. urging him to take administrative action to stop these rate hikes that will devastate communities in Louisiana and nationwide. The letter had nearly 200 signatures, including from national organizations such as the National Association of Home Builders and National Association of Realtors.

We have also pursued legal action to combat Biggert-Waters rate increases. In November the Louisiana Department of Insurance filed an amicus curiae, or "friend of the court" brief, in Mississippi's lawsuit against the federal government which seeks to block rate increases until FEMA has done everything required by Biggert-Waters including an affordability study.

While NFIP rates have gained much attention recently, for several years I have routinely advised homeowners of the importance of purchasing a flood insurance policy since floodwaters can be hazardous no matter where you live. In 2012, the majority of damage caused by Hurricane Isaac was flood-related. In 2008 hundreds of homes in the Alexandria and Monroe areas flooded as the remains of Hurricane Gustav made its way through north Louisiana.

Many across this nation support fiscal sustainability of the NFIP as I do but believe this must be balanced with protecting the businesses and homes that have been built

according to code. Adequate time should be allowed for FEMA to conduct the legislatively-mandated affordability study in order to stop the widespread negative impact we are already seeing in our real estate markets. A well-developed plan will stabilize the NFIP and provide assurance to property owners whom the program was developed to protect.

– Jim Donelon is the commissioner of insurance for the State of Louisiana.

#### ADDITIONAL DEVELOPMENTS:

- January 17 - President Obama signed into law, as part of an omnibus federal budget bill, a one-year delay in NFIP rate increases for homeowners whose flood policies had received grandfather rates and were subsequently mapped into higher flood risk zones. It is reported that about 32,000 Louisiana policyholders will benefit from this rate hike delay.
- January 30 - The U.S. Senate passed the Homeowner Flood Insurance Affordability Act that would effectively delay imposition of NFIP rate increases for up to four years for primary, non-repetitive flood-loss properties and include an affordability study. The proposed law now awaits action in the House.
- January 27 - The federal judge presiding over a suit by Mississippi, and supported by Louisiana and several other states, heard oral arguments as to whether to grant an injunction that would delay NFIP reform rates until an affordability study is completed. The judge has set a February 10 deadline for response briefs.

## Surviving Winter's Blast Safe and Warm

The final week of January brought icy conditions to much of Louisiana with many roads, schools and businesses closed due to snow and/or sleet. Hopefully, you and your family weathered the wintery blast safe and warm. While we all hope to have seen this winter's worst, here are a few facts and tips worth storing away for the rest of the season and winters to come:

#### FACTS

- Home fires occur more in winter than in any other season.
- Heating equipment is the second leading cause of home fires, behind cooking.
- Half of all home heating fires occur in December, January and February.
- The leading factor in home heating fires is failure to clean, principally creosote, from solid-fueled heating equipment, primarily chimneys - 28%.
- Most home heating fire deaths involve stationary or portable space heaters - 81%.
- The leading factor contributing to ignition in home heating fire deaths is heating equipment too close to things that can burn, such as furniture, bedding, clothing or curtains - 53%.

#### SAFETY PRECAUTIONS

- Keep combustibles at least three feet from heating equipment.
- Turn portable heaters off when leaving a room or going to bed.
- Have heating equipment and chimneys inspected annually and cleaned, if necessary.
- Install a working smoke alarm on every level of your home and test it monthly. Smoke alarms reduce the chance of dying in a fire by half.
- Thaw frozen water pipes with hot water or a hand-held hair dryer rather than a blow torch or open flame.

These are just a few of the many precautions that can be found on the U.S. Fire Administration and National Fire Protection Association websites.

## Louisiana Citizens Update

Louisiana Citizens Property Insurance Corporation (Citizens) - the state's property insurer of last resort - has completed its annual review of residential rates, as required by law, and filed a rate revision with the Department of Insurance. The filing applies to homeowners, renters, mobile home, condominium and wind-only coverages, and would result in a statewide average increase of 5.2 percent effective

June 1, if approved by the Department.

In general, so that its rates are not competitive with the voluntary market, Citizens is required by law to be 10 percent higher than the highest qualifying insurer for each line of coverage in each parish, except in twelve coastal parishes. The rates of 71 private insurers were reviewed as the basis for Citizens' filing. Insurance Commissioner Jim Donelon noted that the rate filing was primarily driven by State Farm's recent homeowners rate increase, which averaged 8.7 percent statewide.

Under the proposed rates, the average increase for about 90 percent of residential policyholders would be 6.7 percent. Residential policyholders below the Gulf Intracoastal Waterway would see an average eight percent decrease.

As indicated in the December "Monthly Report," Citizens has recently concluded one of the most successful rounds of depopulation of its policies to the voluntary market. The transfer of 14,268 residential policies will reduce Citizens' personal lines policy count to below 90,000. This will bring Citizens to an all-time low homeowners market share of 2.7 percent from a high of 174,000 policies and 9.8 percent market share in 2008. Insurers that have entered our homeowners market in recent years continue to demonstrate a willingness to write coverage in the southern part of the state.

## LPCIC Meeting

The Louisiana Property and Casualty Insurance Commission met in January to discuss and vote on legislative recommendations. The actions taken by the Commission will be included in the LPCIC Annual Report to the Governor, Legislature and the Commissioner of Insurance. The report will be released in March before the 2014 Session opens. The meeting was chaired by Mr. Ted Haik with presentations by Mr. Lou Fey, PIA representative, and Mr. J.E. Brignac, LAFAC, Inc. representative. Additional testimony was received from Mr. Mike Barron with the Louisiana Highway Safety Commission. Measures to address the high auto insurance rates were the principal focus of discussion.

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