



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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## Worthy of repeating:

### Donelon - Dual Systems of Regulation Biggest Threat Industry Faces

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NEW YORK - The dual system of regulation is the biggest threat the industry faces today, according to James J. Donelon, Louisiana insurance commissioner. He spoke to Best's News Service at the Current Issues in Insurance Regulation 2014 sponsored by the New York City Bar Association in New York City.

Q: What do you see as the biggest challenge facing the industry today?

A: No question, it's the threat of a dual system of regulation being imposed on them. Ten years ago, the U.S. paid 55% of the premiums for insurance worldwide; now that is down to 35%. Ten years from now, that will be 25%. As the emerging markets in China, India, Central and South America take more and more, consume more and more of the insurance availability and our companies truly need to be competitive in those emerging markets in order to protect their profitability and their ability to provide affordable insurance to policyholders in the U.S.; and frankly, we are losing that fight to Europeans. And it is our biggest challenge as the NAIC and the biggest challenge the industry faces today.

Q: What other challenges are the NAIC facing?

A: We are a 140-year-old organization, and we are the glue by which state-based regulation is done of this huge chunk -- a \$1.8 trillion industry that is 17% of our nation's economy, and it has been done at the state level throughout that time and done very effectively. But the NAIC is the glue that makes it uniform and efficient across the 56 jurisdictions that make up the NAIC and my belief is that for the future of the NAIC to preserve and promote state-based regulation, we need to become more government-like and less fraternal-like. So I have been championing since I became president last year the overhaul of our processes to include our bylaws, our open meeting rules and laws and procedures, and we made some small steps last year. We are now posting all meetings on our website 24 hours before they occur. That wasn't always done. And we opened our election process to the public for witnessing of the debates.

The next step under the leadership of Director [John] Huff of Missouri, who headed my effort last year when I was president, is to hire an outside consultant to come in and review all of our processes and make recommendations to us on how to make it more transparent and accountable.

Q: What are the big challenges you're seeing in Louisiana?

A: As always it's our coastal exposure. About half of our population lives below what is called I-10/I-12 that runs from Houston to Pensacola and includes Lake Charles, Lafayette, Baton Rouge and New Orleans and we have a working coast below that line. It provides the nation with 25% of its energy and it provides the nation with 25% of the seafood it consumes. And we have huge port activities, refineries, high-risk activity that require workers, No. 1, to live in proximity to those activities and No. 2, for us to get affordable insurance for those who have to live there and have property there. It's always a challenge but it's not unique to us - that challenge is from Massachusetts to Miami and around to Mexico but probably a bigger challenge for us than most states. And we're very pleased with the success we've had since [Hurricane] Katrina in rebuilding our property insurance market. It truly is more competitive, though with less of the major national players who have withdrawn from that exposure. We've been successful in filling that vacuum plus with smaller, regional companies that have come to our state and our folks are benefiting from that greater competition.

## Survey of Teen Drivers Indicates Risky Behavior

Most of us recognize the dangers of drinking and driving and using a cell phone behind the wheel, and it is no different with teenagers. However, Liberty Mutual and Students Against Destructive Decisions (SADD) recently released the results of a survey of junior and senior high school students conducted last year that indicates a disconnect for many between the message they acknowledge and their actual behavior.

Eighty-six percent consider "driving under the influence of alcohol" to be "extremely or very distracting" with only one percent considering the behavior acceptable. Still five percent of these 11th and 12th graders initially admitted to occasionally driving under the influence. Of those who said they never drive under the influence, when questioned further about their actual behavior, 10 percent admitted that they have driven on occasion after at least one drink.

Considering that the legal drinking age is 21 in all states, 47 percent of the teens surveyed admitted to using a designated driver to avoid driving "under the influence." However, 21 percent defined "designated" as "basically sober - allowed to have a little alcohol or other drugs, as long as not too impaired to drive." For another four percent, "designated" means "least impaired - the most sober person in the group."

When it comes to talking or texting on a cell phone while driving, 96 percent considered it at least "slightly distracting." For texting while driving 62 percent thought it was extremely or very distracting. Still, 86 percent admitted to using a cell phone behind the wheel, and 68 percent admitted to reading or replying to text messages.

So, on one hand we recognize this data as alarming, but on the other, we adults might look in the mirror and recognize the same disconnect between what we say and what we do in our own driving habits. For more information about the survey or measures that can promote safe, responsible teen driving, visit SADD ([www.sadd.org](http://www.sadd.org)).

## Pet Insurance - It's Going to the Dogs... and Cats

The cost of veterinary care for your dog or cat can be expensive, especially in an emergency illness or accident. To help cover the cost, pet insurance has been available in the U.S. for more than 30 years and is increasing in popularity. An insurance agency, Pets Best Insurance Service, has analyzed its 2013 nationwide book of business and come up with a list of states with the most and fewest policyholders:

### Top 10 States for Dog Insurance

1. California
2. Texas
3. New York
4. Florida
5. New Jersey
6. Colorado
7. Nevada
8. Pennsylvania
9. Arizona
10. Virginia

### LEAST

Wyoming  
South Dakota  
North Dakota

### Top 10 States for Cat Insurance

1. California
2. New York
3. Florida
4. New Jersey
5. Texas
6. Virginia
7. Pennsylvania
8. Washington
9. Colorado
10. Illinois

### LEAST

South Dakota  
Montana  
Vermont

However, if you don't have pet insurance on your precious pup or cat, don't feel like you are cruel or unusual. Only 3 percent of dog owners and 1 percent of cat owners in the U.S. do. Now if you lived in the U.K. where 54 percent of dogs and 34 percent of cats are insured, you might raise a howl of protest.

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