



LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON
COMMISSIONER

BULLETIN 2023-03

TO: AUTHORIZED PROPERTY AND CASUALTY INSURANCE COMPANIES

FROM: JAMES J. DONELON, COMMISSIONER OF INSURANCE

**RE: PROPERTY INSURANCE ENDORSEMENTS AND PREMIUM DISCOUNTS
RELATED TO THE FORTIFIED HOME AND FORTIFIED COMMERCIAL
STANDARDS OF THE INSURANCE INSTITUTE FOR BUSINESS AND
HOME SAFETY**

DATE: AUGUST 1, 2023

The purpose of Bulletin 2023-03 is to notify all authorized property and casualty insurers (hereinafter insurers or authorized insurers) of property identified as insurable property under La. R.S. 22:1483(C)(9) of substantive amendments to La. R.S. 22:1483, enacted pursuant to Act 1 of the 2023 Regular Session. Specifically, La. R.S. 22:1483(A) now mandates that insurers provide an actuarially justified discount, credit, rate differential, adjustment in deductible, or other adjustment that reduces the insurance premium to insureds who build or retrofit insurable property consistent with the Fortified home or Fortified commercial standards identified by the Insurance Institute for Business and Home Safety (IBHS).

As provided in La. R.S. 22:1483(C)(9), insurable property includes residential property, commercial property, modular homes, and manufactured homes capable of being retrofitted.

Insurers of insurable property are required to submit rating plans to the Louisiana Department of Insurance (LDI) which provide an actuarially justified discount, credit, rate differential, adjustment in deductible, or any other adjustment that reduces the insurance premium charged to any insured who builds or retrofits a structure to comply with the requirements of the Fortified home and Fortified commercial standards created by the IBHS.

Other substantive provisions contained in La. R.S. 22:1483, including those in La. R.S. 22:1483(B), were not amended by Act 1 of the 2023 Regular Session and remain unchanged. Accordingly, insurers are still required to provide a premium discount for insureds who build or retrofit a structure to comply with the State Uniform Construction Code and/or install mitigation improvements or retrofit their property utilizing construction techniques demonstrated to reduce the amount of loss from a windstorm or hurricane.

The establishment of discounts, credits, and other adjustments should be guided by the provisions in La. R.S. 22:1454 pertaining to rating standards and methods. La. R.S. 22:1454 allows for the consideration of a wide variety of data and analysis methods when establishing rates and credits for property risks. La. R.S. 22:1454 also provides that rates shall not be inadequate or unfairly discriminatory in a competitive market. In determining whether rates are inadequate or unfairly discriminatory under La. R.S. 22:1454, consideration may be given to the following items:

- (1) Basic rate factors: Due consideration shall be given to past and prospective loss and expense experience within and outside the state, catastrophe hazards, and contingencies, events, or trends within and outside the state, dividends or savings to policyholders, members or subscribers and all other relevant factors and judgments. Fines and penalties against an insurer, whether levied by a court or regulatory body, shall not be used by the insurer or considered in any manner in the loss or expense experience for the purpose of setting rates or making rate filings.
- (2) Classification: Risks may be grouped by classification for the establishment of rates and minimum premiums. Classification rates may be modified for individual risks in accordance with rating plans or schedules which establish standards for measuring probable variations in hazards or expenses, or both.
- (3) Expenses: The expense provisions shall reflect the operating methods of the insurer, the past expense experience of the insurer, and anticipated future expenses.
- (4) Contingencies and profits: The rates shall contain a provision for contingencies and a provision for a reasonable underwriting profit and shall reflect investment income directly attributable to unearned premium and loss reserves.
- (5) Other relevant factors: Any other factors available at the time of the rate filing.

In addition to the statutory considerations provided for in La. R.S. 22:1454, the Casualty Actuarial Society's Statement of Principles Regarding Property and Casualty Insurance Ratemaking states, in part:

Principle 1: A rate is an estimate of the expected value of future costs.

Principle 2: A rate provides for all costs associated with the transfer of risk.

Principle 3: A rate provides for the costs associated with an individual risk transfer.

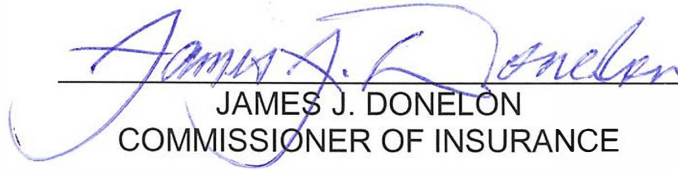
Principle 4: A rate is reasonable and not excessive, inadequate, or unfairly discriminatory if it is an actuarially sound estimate of the expected value of all future costs associated with an individual risk transfer.

All authorized property and casualty insurers of property identified as insurable property under La. R.S. 22:1483(C)(9) shall submit rates and rating plans to the LDI no later than November 1, 2023.

Additionally, by Act 12 of the 2023 Regular Session, the Louisiana Legislature enacted La. R.S. 22:1483.2, which requires all authorized insurers writing homeowners' coverage to offer an endorsement to upgrade the policyholder's nonfortified home to the fortified roof standard if the insured incurs damage from a covered peril requiring a roof replacement. All authorized insurers required to make an endorsement offer pursuant to La. R.S. 22:1483.2 shall file their endorsement forms and accompanying rates with the LDI no later than October 1, 2023.

If there are any questions or concerns regarding Bulletin 2023-03 please contact the Deputy Commissioner for the Office of Property and Casualty at (225) 342-5203, or electronically at public@ldi.la.gov.

Baton Rouge, Louisiana, this 1st day of August 2023.



JAMES J. DONELON
COMMISSIONER OF INSURANCE