



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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## Long-time Chair of the LPCIC Retires

Theodore "Ted" M. Haik, Jr., who has served on the Louisiana Property and Casualty Insurance Commission for the past 13 years both as Chairman and as the Consumer Representative selected by the Speaker of the House of Representatives, has announced his retirement from the LPCIC effective March 13. During his tenure, Mr. Haik has actively and effectively led the LPCIC in its examination of the state's property and casualty markets and the factors that impact availability and affordability, especially for auto and homeowner's insurance. Mr. Haik has ably guided the Commission in formulating the numerous recommendations over the years that have been included in the LPCIC's Annual Report.

Before becoming the first chairman of the LPCIC in 2001, Mr. Haik was a member of the Louisiana House of Representatives where he served portions of Iberia, St. Mary, and Vermilion parishes from 1976 to 1996. As a legislator, he chaired several committees including the House Insurance Committee. Mr. Haik continues his law practice with Haik, Minvielle & Grubbs, LLP in New Iberia as a senior partner.

Commissioner Jim Donelon recently recognized Mr. Haik for his service and leadership of the LPCIC by presenting him with an honorary Insurance Commissioner certificate.

"Ted's knowledge and experience in the insurance arena as well as his leadership have been a real asset to the Louisiana Property and Casualty Insurance Commission for more than a decade, said Mr. Donelon. "Under his leadership the commission has been instrumental in working towards improving the property and casualty insurance market in Louisiana and I am grateful for Ted's commitment and efforts on behalf of policyholders across our state."

Mr. Haik stated, "In 1990, I was chosen to chair the very first House Insurance Committee, did so for four years, and enjoyed the challenge. When I retired from the Legislature, I was looking to continue the progress and the work as a private citizen. This Commission (LPCIC) gave me the opportunity."

"I have enjoyed my 13 years on the LPCIC. I have thought long and hard about retiring from the LPCIC for some time. But, I wanted to serve under and with Commissioner Donelon as I knew he would be a hardworking and honorable Commissioner who would bring our state and its LDI to national prominence. He has done that."

"Now I leave with satisfaction that I have contributed, in a small way, to improving the insurance marketplace and with confidence in younger and more energetic minds. Thank you."



Commissioner Donelon and Ted Haik

## News Briefs

### Tax Season Is a Good Time to Claim Citizens Rebate

Commissioner Jim Donelon is reminding property insurance policyholders that tax season is one of the easiest times to claim the Louisiana Citizens Property Insurance Assessment (Citizens) rebate, if they have not done so already. The Citizens assessment appears as a separate item on the declaration page enclosed with the homeowner's or business' property insurance bill, and has been collected with premium at varying percentages since 2006 to pay off bonds issued to cover Citizens' 2005 hurricane debt. The rebate is fully refundable by the State of Louisiana, and can still be claimed for 2010 through 2013 by those who have not already been reimbursed.

"At the end of 2013, nearly two-thirds of available citizens rebate funds, nearly \$240 million, went unclaimed," said Commissioner Donelon. "Whether you have insurance through Citizens or through another insurance company, you are entitled to the rebate once you have paid the assessment on your property insurance bill. Additional information is located on the Louisiana Department of Insurance ([www.lidi.la.gov](http://www.lidi.la.gov)) and Louisiana Department of Revenue ([www.revenue.louisiana.gov](http://www.revenue.louisiana.gov)) websites.

### President Signs Flood Rate Relief Bill

Impressively, this month the U.S. House passed a bill that was then passed by the U.S. Senate and signed into law by the President that rolls back the dramatic National Flood Insurance Program (NFIP) rate increases that resulted from reforms enacted in 2012. Perhaps of greatest concern here in Louisiana, "The Homeowner Flood Insurance Affordability Act of 2014" (H.R. 3370) restores the grandfathered status of homeowners who complied with flood maps and standards at the time their home was built and extends that recognition to subsequent buyers.

Along with other features of the new law, this should relieve those federal flood insurance policyholders who were facing what had been described as "draconian" increases on their non-repetitive-loss, primary residence, as well as stabilize real estate markets while continuing to advance the NFIP toward financially sound footing.

## Hail Risk Drives LA Homeowners Rates, Too

Most people recognize that the risk of hurricanes is a major reason for Louisiana's high homeowner's insurance rates, especially in Louisiana's coastal parishes. However, another and frequent source of severe property damage is hail. According to data recently released by State Farm, wind and hail claims cost the insurer more than \$3 billion in 2013.

Hailstorms most frequently impact the Great Plains and Midwest, but every state is susceptible. State Farm's 2013 figures place Texas at the top of the list with 42,000 claims followed by Illinois (26,000), Georgia (25,000), Oklahoma (17,000), and with Minnesota and Indiana tied at 15,000 claims each. Not far behind, Louisiana's approximately 14,000 claims ties with Ohio for seventh place followed by Mississippi (13,000) and Nebraska (12,000) to round out the Top Ten.

According to the National Weather Service, the frequency of tornadoes increases in March and accelerates through April, May and June. A lengthy list of tornado/severe weather safety precautions is available on the National Weather Service, National Oceanic and Atmospheric Administration, and many insurance company websites.

A study released last November by the Wharton Risk Management and Decision Processes Center examined the role of building codes in reducing property damage caused by hail. While the International Building Code, which is the mandated standard in Louisiana, does not require roofing material to be impact proof, the study found that the enforcement of any minimally effective building code reduced hail losses. Further, homes with a properly installed single layer of impact-resistant asphalt shingles were 40 to 60 percent less likely to have a hail damage claim.

## Study: Massive Wind Farms Can Temper Hurricanes

A recent study by researchers at Stanford and the University of Delaware published in

*Nature Climate Change* suggests that massive offshore arrays of wind turbines can substantially reduce surface wind speeds and storm surge from hurricanes. The study employed an advance climate-weather computer model and a hypothetical farm of 78,000 turbines placed miles offshore and along the coast to simulate the effect on 2012's Sandy and Isaac and 2005's Katrina.

According to lead researcher Mark Jacobson, "We found that when wind turbines are present, they slow down the outer rotation winds of a hurricane. This feeds back to decrease wave height, which reduces movement of air toward the center of the hurricane, increasing the central pressure, which in turn slows the winds of the entire hurricane and dissipates it faster."

For Katrina - whose 120 to 125 mph winds at landfall and up to 27 feet storm surge caused approximately \$100 billion in damages - the model calculated that its wind speeds would have decreased by 80 to 98 mph at landfall and storm surge would have decreased up to 79 percent. Since current turbines can withstand wind speeds of up to 112 mph, the massed array would have functioned throughout Katrina by preventing it from ever reaching that speed.

In reality the largest existing offshore wind farm consists of 175 turbines off the coast of England to generate electricity. To further the development of clean energy in the U.S., eleven farms are planned off the New England and Texas coasts and in the Great Lakes, but with at most 200 turbines. At the magnitude simulated in the study, the turbines would cover an area 2.5 times the size of Connecticut and cost perhaps hundreds of billions. However, the 78,000 turbines would generate more than 300 gigawatts of electricity and therefore pay for themselves over time, according to Jacobson. By comparison, the total capacity of U.S. electricity generating plants in 2012 was approximately 1,100 gigawatts.

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