

Commissioner's Column – December 2016

Louisiana Citizens Depopulation Efforts in 2016

Louisiana Citizens Property Insurance Corporation (Citizens) is set to complete its tenth round of depopulation and for the first time in its history is looking at how much further it can go in divesting itself of policies. This fall, Citizens opened its book of business to the private market in the annual depopulation program that moves policies from the insurer of last resort to private companies. After this latest round of depopulation is complete, Citizens' personal lines policy count will be about 52,500 residential policies. Including commercial policies, Citizens' total policy count will be about 54,500.

According to Citizens, the eight companies participating this year will receive 10,304 policies through depopulation. That is predicted to drop Citizens homeowners' market share to an estimated 0.8 percent of the total market, down from 1.3 percent at year-end 2015. Citizens' market share peaked at 9.8 percent in 2008 when it was the third largest insurer in the state. Over all of the rounds of depopulation, Citizens has reduced its overall policy count by nearly 70 percent from the all-time high in 2008 of 174,000 policies.

While the reduction in policies is a positive move for both Citizens and the private insurance market in Louisiana, there is a baseline of policies needed to sustain Citizens. Every year we hold our breath and wonder if this will be the hurricane season that sees the return of a destructive storm to the Louisiana coastline. Just as we all prepare our homes for hurricane season and hope that our preparations aren't actually put to use, Citizens must do the same. There is a level at which the company must retain enough policies to fund its operations so that the company is able to adequately respond and pay out claims after the next big storm. Under the guidance of the new Chief Executive Officer Richard Newberry, Citizens will attempt to define this threshold in 2017 to ensure the companies' continued health.

Also vital to Citizens' continued success are the agents that sell policies and assist policyholders with questions, claims and concerns. In this year's legislative session, we sponsored legislation that limits sales of policies issued by the Louisiana Citizens Property Insurance Corporation to resident agents licensed in Louisiana. [Act 367](#) of the 2016 Regular Session became effective on June 5, 2016 and mirrors similar residency requirements in Mississippi and Texas.

Also notable in this latest round of depopulation is the participation of two companies new to the program - Spinnaker Insurance Company and Excalibur National Insurance Company which is also new to Louisiana. They are joined by six companies that previously participated in depopulation: Access Home Insurance Company, Capitol Preferred Insurance Company, Maison Insurance Company, Ocean Harbor Insurance Company, Safepoint Insurance Company and Southern Fidelity Insurance Company.

A total of 51,985 distinct policies were requested this year and 10,304 policies were authorized for removal to private companies. Of the companies that participated in depopulation in 2016,

policies were requested and authorized as follows: Access Home Insurance Company requested 13,933 policies and 1,175 policies were authorized. Capitol Preferred Insurance Company requested 25,000 policies and 681 policies were authorized; Excalibur Insurance Company requested 10,176 policies and 966 policies were authorized; Ocean Harbor Insurance Company requested 9,230 policies and 915 policies were authorized; Safepoint Insurance Company requested 45,913 policies and 2,605 policies were authorized; Spinnaker Insurance Company requested 15,733 policies and 2,293 policies were authorized; Southern Fidelity Insurance Company requested 25,000 policies and 1,038 policies were authorized.

As part of their continuing commitment to the Louisiana insurance market, independent agents authorized 4,885 policies, or 22.6 percent of their requested policies. State Farm agents authorized 1,646 policies or 14.4 percent of their requested policies. Allstate agents authorized 1,824 policies which is 15.9 percent of their requested policies. Farm Bureau agents authorized 1,949 policies or 26.2 of their requested policies. Depopulation is a large undertaking, involving multiple companies and customers. Without agents to assist policyholders with plan selection and understanding their options, the process would not be nearly as productive as it is today.

Over the past year, I have granted two rate decreases for Citizens. One statewide personal lines rate cut of -2.4 percent that took effect on June 1 and a commercial rate filing with an overall impact of a -5.9 percent rate reduction which will take effect February 1, 2017. Coupled with the overall success of the depopulation program, these rate decreases reflect the resiliency and stability of our homeowners market in Louisiana. Added competition among insurers in the state as well as sound business decisions by Citizens' leadership have contributed to our success. It is always our hope that fewer of our neighbors will have to purchase policies through Citizens. However, the continued health of our overall homeowners insurance market and the insurance needs of our neighbors that cannot turn to the private market make us reliant on Citizens as an option. I am confident that the continued work of agents, Citizens staff, and the insurance companies participating in depopulation are contributing to the long-term efficacy of this resource for our citizens.