



FOR IMMEDIATE RELEASE
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Commissioner Donelon Denies State Farm Regional Deductible Plan Proposal

Commissioner of Insurance Jim Donelon announced today his decision to decline a recent request made by State Farm Fire & Casualty Company (State Farm) to propose the introduction of a regional deductible plan for its Louisiana homeowner's program.

The requirements for regional deductible plans are provided for in [L.S.A. 22:1333 \(D\)](#) and [Regulation 93](#) (Named Storm and Hurricane Deductibles). Prior to legislation enacted in 2008, an insurance company was prohibited from increasing the deductible on a policy that had been in effect for more than three years, unless the company increased the deductible on all of its policies statewide. However, in 2008, legislation was enacted that gave insurance companies the option of submitting a plan to the Commissioner of Insurance that proposed a mandatory minimum storm deductible in an individual parish.

If approved, a proposed deductible plan would allow a company to implement an increase to the storm deductible in a parish up to a maximum of four percent of the insured value of the property with an appropriate reduction to the homeowner's premium. The company's request must include a business plan that meets ten criteria, including a plan to write new business in the parish where the regional deductible would be implemented. State Farm is the first company to file a request for approval of a regional deductible plan with the Commissioner since the law was enacted.

"The proposal submitted by State Farm failed to meet the requirements set forth by law," said Donelon. "The regional deductible plan submitted by State Farm neither illustrates the company's intent to write new business nor denotes how the plan is in the best interest of policyholders."

Storm deductibles are triggered when damage is caused by wind and hail, a named tropical storm or hurricane. The 2008 legislation that authorizes the regional deductible plan also prohibits a homeowner's policy from containing any provision that would apply more than one

deductible to a loss resulting from any single incident. Since a storm deductible is based on the value of a home, for a home insured for \$200,000 with a storm deductible of four percent, the amount required to be paid out of pocket by the homeowner for damages incurred by a storm would be \$8,000. The benefit of higher deductibles for the consumer is that lower premiums must be charged by the insurer as the consumer is taking on more of the risk and is given a premium discount for doing so. Most insurers use storm deductibles as a means of allowing them to reduce their catastrophe exposure and write more coverage in high risk areas.

Attached is a copy of Commissioner Donelon's letter of denial to State Farm.