



LOUISIANA DEPARTMENT OF INSURANCE
JAMES J. DONELON
COMMISSIONER

September 8, 2022

To: Members of the Louisiana Legislature
Re: Louisiana Homeowners Insurance Market

Louisiana is experiencing the worst homeowners insurance market we have seen since hurricanes Katrina and Rita devastated our state in 2005. Seven insurance companies with Louisiana policyholders failed in the aftermath of hurricanes Laura, Delta, Zeta and Ida — Gulfstream, Access Home, State National Fire, Americas, Lighthouse, Southern Fidelity and Weston. An eighth, Maison, had to cancel its Louisiana policies due to its inability to obtain reinsurance for its risk.

The LDI was able to find insurers to take on all the policies from the first four failed insurers, but, due in large part to a hardening reinsurance market, we have been unable to find insurers willing to take on the policies of the remaining companies. Policyholders and agents are understandably frustrated. As a Southern Fidelity policyholder, so am I.

We have taken steps to assist insurance agents in their efforts to place policyholders with a new insurer or, as a last resort, with Louisiana Citizens. These steps include purchasing reinsurance for Lighthouse policies to extend coverage through the end of June, creating a 60-day extension for agents to place policies with Citizens, and continuing efforts to increase capacity for Citizens' website to handle their huge influx of applications.

Unlike Florida — which, as you can read about in the attached articles, is facing an insurance crisis worse than ours — Louisiana is in a strong position to both make the policyholders of the failed insurers whole and quickly improve our market to again offer affordable insurance to our constituents.

Due to our joint efforts during the 2022 Legislative Session, several new laws were passed to significantly improve the insurance claims process and strengthen the overall market here in Louisiana. These new laws include:

Minimum Capital and Surplus Requirements

This law increases the minimum capital and surplus requirements for property insurance companies from the current \$3 million to \$10 million for companies coming to write residential property insurance in our state. Those already writing in Louisiana will have until 2026 to get to \$5 million and 2031 to get to \$10 million. This new legislation is designed to motivate company owners to buy more reinsurance to protect their investment which will also provide more protection for their policyholders.

Insure Louisiana Incentive Program

The Insure Louisiana Incentive Program after hurricanes Katrina and Rita was very successful in helping to revitalize our property insurance market, so we worked to reenact it this session. The program, which will offer matching grants to incentivize insurers to participate in our market, still needs to be funded. This program was vital to the very successful recovery of our property insurance market after the Katrina and Rita storms of 2005.

Louisiana Fortify Homes Program

The Louisiana Fortify Homes Program will provide grants to eligible residents to cover the cost of replacing or retrofitting their roof using methods that meet or exceed the FORTIFIED roof standard of the Insurance Institute for Business and Home Safety.

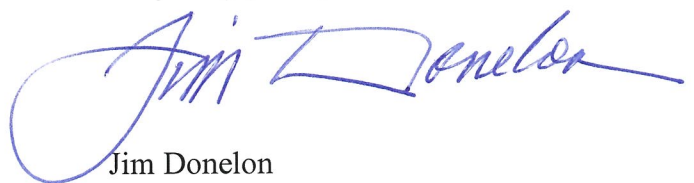
Three-Adjuster Rule

The “Three-Adjuster Rule” addresses the problem of a policyholder going through a handful of adjusters for a single claim. When a policyholder has three or more lead adjusters assigned to their claim, the “Three-Adjuster Rule” requires insurance companies to provide the policyholder with a primary contact who is knowledgeable about the claim. It also requires the insurer to provide a written status report including how the deductible has been applied, a payment history and a list of items the insurer needs from the policyholder to complete the adjustment. Although seeing Florida struggle with issues is not comforting to our constituents, it is helpful to see what can happen in our state if we make the same mistakes here in Louisiana.

Strengthening protections for policyholders was a top priority for me during the regular session, and I appreciate that it was for you as well. As always, my staff and I are available to assist you and we welcome that opportunity via 1-800-259-5300 or ldi.la.gov.

With best wishes and warmest regards, I remain

Very truly yours,



Jim Donelon
Commissioner
Louisiana Department of Insurance