



LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON
COMMISSIONER

April 12, 2023

The Honorable Patrick Page Cortez
President, Louisiana State Senate
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Baton Rouge, LA 70804

ELECTRONIC TRANSMISSION
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The Honorable Clay Schexnayder
Speaker, Louisiana House of Representatives
P.O. Box 94062
Baton Rouge, LA 70804

ELECTRONIC TRANSMISSION
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The Honorable Kirk Talbot
Chairman of the Senate Insurance Committee
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The Honorable Mike Huval
Chairman of the House Insurance Committee
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RE: Summary Report – Regulation 125 — Insure Louisiana Incentive Program

Dear President Cortez, Speaker Schexnayder, Senator Talbot, and Representative Huval:

The Louisiana Department of Insurance (LDI) hereby submits the following summary report required by La. R.S. 49:966(D)(1)(b), and announces its intention to finalize the amendment to Regulation 125, which was published as a Notice of Intent in the March 2023 edition of the *Louisiana Register*.

Interested persons were provided an opportunity to submit comments to the LDI on the proposed regulation. The LDI received comments in response to the Notice of Intent and the LDI responded accordingly. This comments and the LDI's responses are summarized below and enclosed for your review.

Comment 1: Lindsay Christ commented in order to confirm that she did not elect property and casualty on her contract request.

LDI Response to Comment 1: The request is not relevant to Regulation 125. However, the request was routed to the proper division within the LDI to be processed accordingly.

Comment 2: Amber Bensky requested to be unsubscribed from the LDI Industry Portal Notification System.

LDI Response to Comment 2: The request is not relevant to Regulation 125. However, the request to be unsubscribed was routed to the proper division within the LDI to be processed accordingly.

Comment 3: Lorrie Kamby requested to be unsubscribed from the LDI Industry Portal Notification System.

LDI Response to Comment 3: The request is not relevant to Regulation 125. However, the request to be unsubscribed was routed to the proper division within the LDI to be processed accordingly.

Comment 4: Tania Hoehn requested that Debra Emery be unsubscribed from the LDI Industry Portal Notification System.

LDI Response to Comment 4: The request is not relevant to Regulation 125. However, the request to be unsubscribed was routed to the proper division within the LDI to be processed accordingly.

Comment 5: Jose Soto requested to be unsubscribed from the LDI Industry Portal Notification System.

LDI Response to Comment 5: The request is not relevant to Regulation 125. However, the request to be unsubscribed was routed to the proper division within the LDI to be processed accordingly.

Comment 6: Eric Hanson requested to be unsubscribed from the LDI Industry Portal Notification System.

LDI Response to Comment 6: The request is not relevant to Regulation 125. However, the request to be unsubscribed was routed to the proper division within the LDI to be processed accordingly.

Subject to legislative oversight, the LDI intends to submit the amendment to Regulation 125 to the Office of the State Register for final publication in the June 2023 edition of the Louisiana Register. A copy of the summary report will be placed on the LDI's website in accordance with La. R.S. 49:966(D)(1)(c).

NOTICE OF INTENT

Department of Insurance Office of the Commissioner

Regulation 125—Insure Louisiana Incentive Program (LAC 37:XIII.Chapter 189)

The Department of Insurance, pursuant to the authority of the Louisiana Insurance Code, R.S. 22:1 et seq., and in accordance with the Administrative Procedure Act, R.S. 49:950 et seq., hereby gives notice of its intent to amend Regulation 125 regarding the Insure Louisiana Incentive Program.

Louisiana is currently experiencing a crisis in the availability and affordability of insurance for residential and commercial properties. Louisiana property owners and their insurers sustained catastrophic losses in 2020 and 2021 from hurricanes Laura, Delta, Zeta, and Ida. As the result of their losses and their assessment of the risk of loss from future storms, many property insurers have substantially reduced their participation in the voluntary market for residential and commercial property insurance. With fewer property insurers in the voluntary market, competitive pressure on premium rates is reduced. Current underwriting practices have resulted in a substantial increase in the number of Louisiana property owners forced to obtain their property insurance coverage or their coverage for wind peril from Louisiana Citizens Property Insurance Corporation, the state insurer of last resort.

The Insure Louisiana Incentive Program was enacted through the passage of Act 754 of the 2022 Regular Session of the Louisiana Legislature and Act No. 1 and Act No. 2 of the 2023 Extraordinary Session of the Louisiana Legislature for the purpose of cooperative economic development and stability in Louisiana by encouraging additional property insurers to participate in the voluntary property insurance market to increase the availability of property insurance, increase competitive pressure on insurance rates, and reduce the volume of business written by the Louisiana Citizens Property Insurance Corporation.

Regulation 125 sets forth standards and procedures relative to a property insurer's participation in the Insure Louisiana Incentive Program. Through cooperative endeavor agreements, property insurers participating in the program may be awarded matching grant funds in order to achieve the requirements of Act 754 of the 2022 Regular Session of the Louisiana Legislature and Act No. 1 and Act No. 2 of the 2023 Extraordinary Session of the Louisiana Legislature. Regulation 125 further specifies these requirements and conditions thereof for qualified property insurers.

Title 37

INSURANCE

Part XIII. Regulations

Chapter 189. Regulation Number 125—Insure Louisiana Incentive Program

§18903. Authority

A. Regulation 125 is promulgated pursuant to the authority and responsibility delegated to the commissioner under R.S. 22:2361 through 2371, Act No. 1 and Act No. 2 of the 2023 Extraordinary Session of the Louisiana Legislature, and pursuant to the general powers granted by law to the commissioner and the department.

AUTHORITY NOTE: Promulgated in accordance with Act No. 1 of the 2023 Extraordinary Session and Act No. 2 of the 2023 Extraordinary Session, R.S. 22:11, 22:2361 et seq., and the Administrative Procedure Act, R.S. 49:950 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 49:270 (February 2023), amended LR 49:

§18905. Applicability and Scope

A. Regulation 125 shall apply to all authorized insurers as defined in R.S. 22:46(3) operating and writing insurance for residential and commercial properties in the state, and to any approved unauthorized insurer as defined in R.S. 22:46(2) operating and writing insurance for residential and commercial properties in the state, eligible unauthorized insurer as defined in R.S. 22:46(10) operating and writing insurance for residential and commercial properties in the state, or domestic surplus lines insurer as provided for in R.S. 22:436.1 operating and writing insurance for residential and commercial properties in the state and collectively referred to as a surplus lines insurer as defined in R.S. 22:46(27).

B. ...

AUTHORITY NOTE: Promulgated in accordance with Act No. 1 of the 2023 Extraordinary Session and Act No. 2 of the 2023 Extraordinary Session, R.S. 22:11, 22:2361 et seq., and the Administrative Procedure Act, R.S. 49:950 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 49:270 (February 2023), amended LR 49:

§18915. Qualifications for Applying for Grant Funds

A. - A.1. ...

2. a property insurer with a financial strength rating that meets the following requirements:

a. AM Best Company "B+" or better; or

b. Demotech, Inc. "A" or better; or

c. AM Best Company "A" or better for licensed surplus lines insurers.

NOTE: Property insurers rated by more than one rating company need only meet one of the rating requirements.

A.3. - D.5. ...

E. Notwithstanding any provision of law, regulation or rule to the contrary, the following are ineligible to receive any portion of funds from the Incentive Program Fund:

1. Any insurance company or property insurer with an officer, director, or controlling shareholder who was an officer, director, or controlling shareholder of an insurance company or property insurer licensed in Louisiana that filed for bankruptcy or was declared insolvent.

2. Any insurance company or property insurer whose parent company controlled all or part of an insurance company or property insurer licensed in Louisiana that filed for bankruptcy or was declared insolvent.

AUTHORITY NOTE: Promulgated in accordance with Act No. 1 of the 2023 Extraordinary Session and Act No. 2 of the 2023 Extraordinary Session, R.S. 22:11, 22:2361 et seq., and the Administrative Procedure Act, R.S. 49:950 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 49:270 (February 2023), amended LR 49:

§18927. Reporting Requirements

A. - B.4. ...

C. Grantee shall report quarterly May 15, August 15, and November 15 and annually by June 1, detail on the catastrophe reinsurance program maintained, including premium to surplus ratio, net of reinsurance, gross premium

to surplus ratio, detail on the catastrophe reinsurance program maintained by grantee, including retentions, limits, reinstatements, as well as the current ratings of each reinsurer. In addition, the report shall contain the modeled Probable Maximum Loss for a 1 in 50, 1 in 100, 1 in 150, 1 in 200 and 1 in 250 event, including the models and versions utilized.

1. Within 30 days of the end of each reporting period, the Department shall aggregate all responses and submit them as a report to the legislature.

D. ...

AUTHORITY NOTE: Promulgated in accordance with Act No. 1 of the 2023 Extraordinary Session and Act No. 2 of the 2023 Extraordinary Session, R.S. 22:11, 22:2361 et seq., and the Administrative Procedure Act, R.S. 49:950 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 49:270 (February 2023), amended LR 49:

§18929. Compliance

A. ...

B. The commissioner shall submit annual and quarterly reports on the Incentive Program to the House Committee on Appropriations, the Senate Committee on Finance, and the House and Senate Committees on Insurance containing information for the preceding year and quarter, respectively, detailing the following:

1. the amount of premium written by parish and by grantee under the Incentive Program;

2. the amount of premium by parish and by grantee associated with the property located in the parishes listed in §18917.B.3;

3. the amount of premium by parish and by grantee taken-out from the Louisiana Citizens Property Insurance Corporation; and

4. the total amount of premium for each grantee by parish, including the premium written under the Incentive Program.

C. If the commissioner determines that a grantee has complied with the terms of the grant, the commissioner shall notify the grantee in writing that the grantee has earned the 20 percent portion of the grant pursuant to R.S. 22:2370.

D. If the commissioner determines that the grantee shows promise of future compliance, the commissioner may grant an extension of not more than one year to a grantee who has failed to satisfy all requirements of the grant.

AUTHORITY NOTE: Promulgated in accordance with Act No. 1 of the 2023 Extraordinary Session and Act No. 2 of the 2023 Extraordinary Session, R.S. 22:11, 22:2361 et seq., and the Administrative Procedure Act, R.S. 49:950 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 49:270 (February 2023), amended LR 49:

§18930. Monitoring

A. The commissioner shall expedite the approval of certificates of authority, rate filings, form filings, and other necessary regulatory approvals of qualified insurers to facilitate the underwriting of new policies pursuant to the Incentive Program.

B. The commissioner shall monitor the financial solvency of grantees by evaluating the adequacy of insurer reinsurance programs using catastrophe model stress tests of the grantee's book of business.

C. The commissioner shall take any action necessary to ensure that grantees remain financially solvent.

AUTHORITY NOTE: Promulgated in accordance with Act No. 1 of the 2023 Extraordinary Session and Act No. 2 of the 2023 Extraordinary Session, R.S. 22:11, 22:2361 et seq., and the Administrative Procedure Act, R.S. 49:950 et seq.

HISTORICAL NOTE: Promulgated by the Department of Insurance, Office of the Commissioner, LR 49:

Family Impact Statement

1. Describe the Effect of the Proposed Regulation on the Stability of the Family. The proposed regulation should have no measurable impact upon the stability of the family.

2. Describe the Effect of the Proposed Regulation on the Authority and Rights of Parents Regarding the Education and Supervision of their Children. The proposed regulation should have no impact upon the rights and authority of children regarding the education and supervision of their children.

3. Describe the Effect of the Proposed Regulation on the Functioning of the Family. The proposed regulation should have no direct impact upon the functioning of the family.

4. Describe the Effect of the Proposed Regulation on Family Earnings and Budget. The proposed regulation should have no direct impact upon family earnings and budget.

5. Describe the Effect of the Proposed Regulation on the Behavior and Personal Responsibility of Children. The proposed regulation should have no impact upon the behavior and personal responsibility of children.

6. Describe the Effect of the Proposed Regulation on the Ability of the Family or a Local Government to Perform the Function as Contained in the Rule. The proposed regulation should have no impact upon the ability of the family or a local governmental unit to perform the function as contained in the rule.

Poverty Impact Statement

1. Describe the Effect on Household Income, Assets, and Financial Security. The proposed regulation should have no effect on household income assets and financial security.

2. Describe the Effect on Early Childhood Development and Preschool through Postsecondary Education Development. The proposed regulation should have no effect on early childhood development and preschool through postsecondary education development.

3. Describe the Effect on Employment and Workforce Development. The proposed regulation should have no effect on employment and workforce development.

4. Describe the Effect on Taxes and Tax Credits. The proposed regulation should have no effect on taxes and tax credits.

5. Describe the Effect on Child and Dependent Care, Housing, Health Care, Nutrition, Transportation and Utilities Assistance. The proposed regulation should have no effect on child and dependent care, housing, health care, nutrition, transportation and utilities assistance.

Small Business Analysis

The impact of the proposed regulation on small businesses as defined in the Regulatory Flexibility Act has been considered. It is estimated that the proposed action is not expected to have a significant adverse impact on small

businesses. The agency, consistent with health, safety, environmental and economic welfare factors has considered and, where possible, utilized regulatory methods in the drafting of the proposed regulation that will accomplish the objectives of applicable statutes while minimizing the adverse impact of the proposed regulation on small businesses.

1. Identification and Estimate of the Number of the Small Businesses Subject to the Proposed Rule. The proposed regulation should have no measurable impact upon small businesses.

2. The Projected Reporting, Record Keeping, and Other Administrative Costs Required for Compliance with the Proposed Rule, Including the Type of Professional Skills Necessary for Preparation of the Report or Record. The proposed regulation should have no measurable impact upon small businesses.

3. A Statement of the Probable Effect on Impacted Small Businesses. The proposed regulation should have no measurable impact upon small businesses.

4. Describe any Less Intrusive or Less Costly Alternative Methods of Achieving the Purpose of the Proposed Rule. The proposed regulation should have no measurable impact on small businesses; therefore, will have no less intrusive or less cost alternative methods.

Provider Impact Statement

1. Describe the Effect on the Staffing Level Requirements or Qualifications Required to Provide the Same Level of Service. The proposed regulation will have no effect.

2. The Total Direct and Indirect Effect on the Cost to the Provider to Provide the Same Level of Service. The proposed regulation will have no effect.

3. The Overall Effect on the Ability of the Provider to Provide the Same Level of Service. The proposed regulation will have no effect.

Public Comments

Interested persons who wish to make comments may do so by writing to Jennifer Land, Staff Attorney, Louisiana Department of Insurance, P.O. Box 94214, Baton Rouge, LA 70804-9214, by faxing comments to (225) 342-1632, or electronically at regulations@ldi.la.gov. Comments will be accepted through the close of business, 4:30 p.m., April 10, 2023.

James J. Donelon
Commissioner

FISCAL AND ECONOMIC IMPACT STATEMENT FOR ADMINISTRATIVE RULES

RULE TITLE: Regulation 125—Insure Louisiana Incentive Program

I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The proposed rule is not anticipated to result in implementation costs or savings to the state or local governmental units. The proposed rule is being promulgated to establish the rules and regulations of the Insure Louisiana Incentive Program, which was enacted through the passage of Act 754 of the 2022 Regular Session of the Louisiana Legislature and Act 1 and Act 2 of the 2023 Extraordinary Session of the Louisiana Legislature. The proposed rule will set

forth standards and procedures relative to a property insurer’s participation in the Insure Louisiana Incentive Program. The Insure Louisiana Incentive Program is a state match program for property insurers who commit to writing new business in Louisiana. The Commissioner of Insurance may grant matching capital funds to qualified property insurers.

II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

The proposed rule will have no impact on state or local governmental revenues.

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS, SMALL BUSINESSES, OR NONGOVERNMENTAL GROUPS (Summary)

The proposed rule is anticipated to benefit Louisiana property owners with the current crisis in the availability and affordability of residential and commercial property insurance. The proposed rule outlines rules and regulations of the Insure Louisiana Incentive Program, which was enacted by the legislature for the purpose of economic development and stability in Louisiana. The program encourages additional property insurers to participate in the voluntary property insurance market in Louisiana.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

The program anticipates increasing the availability of property insurance, increasing competitive pressure on insurance rates, and reducing the volume of business written by the Louisiana Citizens Property Insurance Corporation.

S. Denise Gardner
Chief of Staff
2303#0035

Evan Brasseaux
Interim Deputy Fiscal Officer
Legislative Fiscal Office

**NOTICE OF INTENT
Department of Natural Resources
Office of Conservation**

Pipeline Safety
(LAC 43:XI.Chapters 1-43, LAC 43:XIII.Chapters 3-35, and LAC 33:V.Chapter 301)

The Department of Natural Resources, Office of Conservation proposes to amend LAC 43:XI, 43:XIII and LAC 33:V in accordance with the provisions of the Administrative Procedure Act, R.S. 49:950 et seq., and pursuant to the power delegated under the laws of the state of Louisiana.

The proposed Rule changes include minor changes to LAC XI and the changes for LAC 43:XIII and LAC 33:V are required as a part of the Department of Natural Resources certification agreement with the US Department of Transportation and are intended to adopt existing federal regulations as state regulations.

Title 43

NATURAL RESOURCES

Part XI. Office of Conservation—Pipeline Division

Subpart 1. Natural Gas and Coal

Chapter 1. Natural Gas and Coal

§101. Definitions

Intrastate Natural Gas—gas produced, transported, and utilized wholly within the State of Louisiana, through the use of intrastate pipelines or of interstate pipelines where such use of interstate pipelines is or may hereafter be exempt from the control of the Federal Energy Regulatory