

Louisiana Department of Insurance

State
Of
Insurance
10 years post-Katrina

James J. Donelon, Commissioner



Message from Insurance Commissioner Jim Donelon



It's hard to imagine and it's not something we thought possible back then, but our property insurance market is more competitive and more viable than it was the day before Hurricane Katrina. To understand how far we've come, we must take a look at where we were just ten years ago. Hurricane Katrina caused more than \$25 billion in insured losses resulting from more than 725,000 claims in Louisiana. Following Hurricane Rita, insurers paid out \$3.4 billion in losses resulting from more than 200,000 claims. These are staggering payouts that would scare off insurers with even the deepest of pockets as is evidenced by the retreat of many of the larger companies from areas all along the Gulf and Atlantic Coasts following the storms.

As those larger companies reduced their coastal exposure, we saw a new breed of company move in. Although these smaller, regional companies may not be household names – they are financially sound, reputable insurers that are writing policies for homeowners and businesses across our state backed by the international reinsurance market. Today Louisiana has 22 new property insurers that were not here in 2005, giving homeowners a broader range of options. This is the result of active recruitment of companies not previously writing in Louisiana coupled with the passage of measures like the statewide building code and increased guaranty fund protection, as well as strategies such as the Citizens Property Insurance Depopulation program.

This trend also places Louisiana on the national stage as a model for insurance market recovery. As recognized in a national Insurance Journal article titled, In Louisiana, Private Insurers Come Marching in, “[W]hile similar state-run insurance entities in Florida and Texas continue to grow at unsustainable paces, Louisiana Citizens Property Insurance Corp. has managed to reduce its policy count...Now, if only Texas and Florida would follow Louisiana’s lead.” Since then, Florida has undertaken an aggressive depopulation program as well.

The additional competition within Louisiana’s property and casualty markets following the largest insured loss event the insurance world has ever seen has brought stability to our property insurance marketplace. The increased competition we are currently experiencing is a win-win scenario for all Louisiana property owners.

James J. Donelon
Commissioner of Insurance
Louisiana Department of Insurance

Private Sector Recovery

Louisiana faced a major challenge: how to keep companies in Louisiana while enticing new insurance companies to take on policyholders. We did this through:

- **Statewide Building Code.** A measure that Louisiana issued in response to Hurricanes Katrina and Rita was the first mandatory statewide building code, the Louisiana State Uniform Construction Code, during the 2005 First Extraordinary Legislative Session. Our Legislature sought to encourage implementation of the Code in 2007 by providing financial incentives to homeowners willing to strengthen their homes against storms and hurricanes.

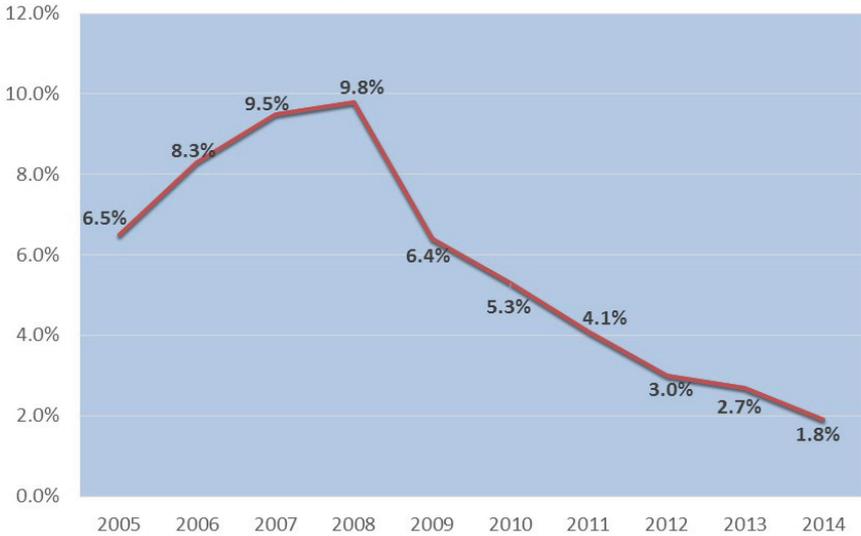
Building Code incentives include Insurance Premium Discounts (Act 323 of 2007) which are offered when a homeowner builds or retrofits a structure to comply with the Code; or installs mitigation improvements demonstrated to reduce the amount of loss from a windstorm or hurricane.

- **Abolition of Rating Commission.** For years insurance companies reported that their number one impediment to doing business in Louisiana was our politically-appointed Insurance Rating Commission. The law passed in 2008 transferred all of the duties of the commission over to the Department of Insurance, modernizing our rating process.
- **The Louisiana Incentive Program.** The Incentive Program was established to do just that, attract more property and casualty providers to the state. The program attracted five companies - four writing homeowners insurance and one writing commercial insurance. As part of the requirement to earn 100 percent of the grant, 25 percent of the company's new insurance premium had to come from Citizens and the company had to participate for the five-year grant program duration.
- **Citizens Depopulation Program.** The Depopulation Program was created by the Legislature in 2007 to reduce the number of policyholders covered by the state's insurer of last resort, Louisiana Citizens Property Insurance Corporation (Citizens). Each year Citizens opens its books of business during this legally mandated depopulation process and offers its policies to the voluntary market. Of the 22 carrier groups that have joined the state's homeowners market since Hurricanes Katrina and Rita, 12 have participated in the Citizens' depopulation process.

Louisiana Citizens Property Insurance Corporation Homeowners Market Share

As the state's insurer of last resort, Louisiana Citizens Property Insurance Corporation offers homeowners and commercial policies to those unable to secure coverage through private insurers. In 2008, Citizens' market share spiked to 9.8 percent, making it the third largest insurer in the state. By 2014, its homeowners market share had dropped to 1.8 percent, making it the ninth largest insurer in Louisiana.

Louisiana Citizens Property Insurance Corporation Homeowners Market Share



Quick Facts:

- Combined with the reduction in Citizens' market share, more than 17% of the property insurance market in 2004 has been redistributed from the largest three homeowner writers to other companies. As a result, we have given consumers more choices.
- The depopulation program has reduced Citizens' overall policy count by 50 percent since its peak in 2008. Citizens' had about 174,000 in 2008 and had 86,645 as of May 2015.

Market Impact

Top 10 Most Costly Disasters in U.S. History (\$ Millions)

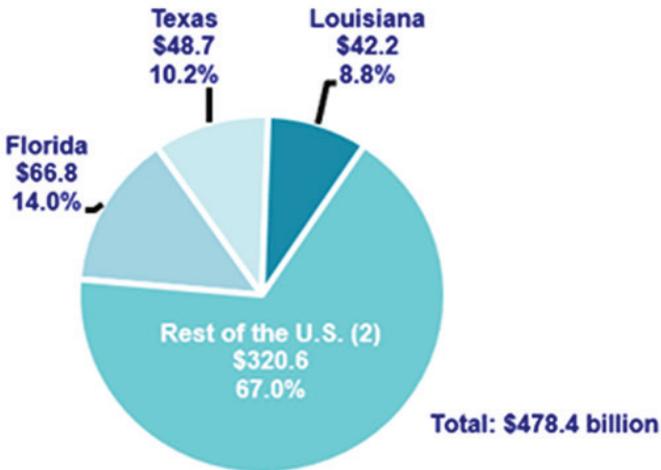
Rank	Disaster	Year	Dollars when Occurred	Dollars in 2014 ¹
1	Hurricane Katrina	2005	\$ 41,100	\$ 48,400
2	Hurricane Andrew	1992	\$ 15,500	\$ 23,800
3	9/11 Attacks	2001	\$ 18,800	\$ 20,100
4	Hurricane Sandy	2012	\$ 18,750	\$ 19,300
5	Hurricane Ike	2008	\$ 12,500	\$ 13,500
6	Northridge Earthquake	1994	\$ 12,500	\$ 13,400
7	Hurricane Wilma	2005	\$ 10,300	\$ 12,100
8	Hurricane Charley	2004	\$ 7,500	\$ 9,100
9	Hurricane Ivan	2004	\$ 7,100	\$ 8,600
10	Hurricane Hugo	1989	\$ 4,200	\$ 7,100

Property coverage only. Does not include flood damage covered by the federally administered National Flood Insurance Program.

1. Adjusted to 2014 dollars; Jayleen Heft, PropertyCasualty360.com, July 8, 2015.

Source: Verisk Analytics' Property Claim Services unit (PCS); U.S. Bureau of Labor Statistics.

Top Three States by Inflation-Adjusted Catastrophe Loss (\$ Billions) (1983-2013¹)



1. Adjusted for inflation through 2013 by ISO using the GDP implicit price deflator. Excludes catastrophes causing direct losses less than \$25 million in 1997 dollars. Excludes flood damage covered by the federally administered National Flood Insurance Program.

2. Includes the other 47 states plus Washington, D.C., Puerto Rico, and the U.S. Virgin Islands.

Source: The Property Claim Services® (PCS®) unit of ISO®, a Verisk Analytics® company.

2005 Homeowners Insurance Market Share

Rank	Group Name	Market Share	Written Premium
1	State Farm Group	31.7%	\$348,179,277
2	Allstate Insurance Group	20.0%	\$220,163,857
3	Southern Farm Bureau Casualty Group	6.8%	\$74,948,127
4	Louisiana Citizens Property Ins Corp	6.5%	\$71,050,156
5	Liberty Mutual Group	4.2%	\$46,097,905
6	Zurich Insurance Group	4.1%	\$44,641,370
7	Travelers Group	3.2%	\$35,283,957
8	United Service Automobile Assn. Group	3.1%	\$34,262,732
9	American National Financial Group	2.1%	\$23,605,276
10	The Hanover Insurance Group	1.8%	\$20,200,593
11	Munich Re Group	1.8%	\$19,765,207
12	American International Group	1.6%	\$17,880,145
13	Shelter Insurance Group	1.5%	\$16,883,341
14	Metropolitan Group	1.5%	\$16,197,195
15	Allianz Insurance Group	1.4%	\$15,047,568
16	Auto Club Enterprises Insurance Group	1.2%	\$13,571,806
17	Chubb Incorporated Group	1.2%	\$13,110,765
18	Hartford Fire & Casualty Group	0.9%	\$10,043,663
19	Horace Mann group	0.9%	\$9,891,307
20	Delek Group	0.8%	\$9,233,388

Did You Know?

In 2014, there was a noticeable increase in competition in the property and casualty insurance sector with overall rate increases at 1.9 percent for all lines of business (i.e. private passenger and commercial auto, homeowners, commercial multi-peril and workers' compensation). That's compared with a 3.3 percent rate increase in 2013.

2014 Homeowners Insurance Market Share

Rank	Group Name	Market Share	Written Premium
1	State Farm Group	27.5%	\$496,175,679
2	Allstate Insurance Group	13.4%	\$242,166,006
3	Liberty Mutual Group	7.4%	\$133,088,773
4	Southern Farm Bureau Casualty Group	5.8%	\$104,019,788
5	United Service Automobile Assn Group	4.9%	\$88,254,144
6	ARX Holding Corporation Group	4.8%	\$87,182,482
7	Lighthouse Property Insurance Corp	2.5%	\$45,040,765
8	Zurich Insurance Group	2.0%	\$36,255,386
9	Louisiana Citizens Property Ins Corp	1.9%	\$34,001,779
10	Centauri Specialty Insurance Corp	1.5%	\$27,261,666
11	Chubb Incorporated Group	1.5%	\$27,050,120
12	Delek Group	1.5%	\$26,855,664
13	Shelter Insurance Group	1.5%	\$26,219,411
14	Southern Fidelity Insurance Co Inc	1.4%	\$25,846,606
15	American National Financial Group	1.4%	\$25,183,810
16	Munich Re Group	1.4%	\$24,488,483
17	Kingsway Group	1.2%	\$22,348,743
18	Gulfstream Property & Casualty Ins Co	1.2%	\$22,279,430
19	Assurant Incorporated Group	1.2%	\$21,044,964
20	Geovera Holdings Incorporated Group	1.1%	\$20,504,332

Did You Know?

Louisiana homeowners rates in 2014 rose an average of 2.8% - that's the lowest average rate increase since 2005.

Louisiana Department of Insurance

1702 N. 3rd Street, Baton Rouge, LA 70802

P.O. Box 94214, Baton Rouge, LA 70804

www.ldi.la.gov

Email: public@ldi.la.gov

800. 259. 5300

Office of Property & Casualty: (225) 342-1258

Office of Consumer Services: (225) 342-5900

Division of Public Affairs: (225) 342-3612



This public document is published at a total cost of \$718.78. 500 copies of this public document were published in this first printing at a cost of \$534.05. The total cost of all printings of this document including reprints is \$718.78. This document was published by State Printing 1201 N. Third Street, Suite G-224 Baton Rouge, LA 70802 to provide information on the state of the insurance market in Louisiana ten years post-Hurricane Katrina under authority of the Division of Administration. This material was printed in accordance with standards for printing by State Agencies established in R.S. 43:31. Printing of this material was purchased in accordance with the provisions of Title 43 of the Louisiana Revised Statutes.