



LOUISIANA DEPARTMENT OF INSURANCE
JAMES J. DONELON
COMMISSIONER

January 19, 2023

To: Members of the Louisiana Legislature
Re: Insure Louisiana Incentive Program

Louisiana is experiencing the worst homeowners insurance market we have seen since hurricanes Katrina and Rita devastated our state in 2005. Eight insurance companies with Louisiana policyholders failed in the aftermath of hurricanes Laura, Delta, Zeta and Ida, and many insurers who stayed have temporarily stopped writing new policies.

There is no doubt we are in the middle of a crisis. My office has received countless emails and phone calls from residents asking for help with the rising cost of homeowners insurance. Earlier this month, I was on the phone with a policyholder who lives in Houma. She was questioning whether she will need to move out of the state to escape unaffordable insurance rates. Unfortunately, we get that question a lot.

I am writing to you because, despite the harsh circumstances we face today, there is a clear path forward.

In 2005, Louisiana's property insurance market was ravaged by hurricanes Katrina and Rita. We created the Insure Louisiana Incentive Program to attract insurers to our state and, thanks to that program, we revitalized our market. I believe that same program is the solution to our current crisis.

We need your support for a special session to fund the recreated Insure Louisiana Incentive Program, which was authored by Senate Insurance Chairman Kirk Talbot during last year's Legislative Session and signed into law by Governor John Bel Edwards. I am writing this letter to explain why I believe a special session is urgently needed and to answer the questions I have received about the program in recent months.

What is the Insure Louisiana Incentive Program?

The Insure Louisiana Incentive Program was created after hurricanes Katrina and Rita to help revitalize our property insurance market. The program was recreated during the 2022 Legislative Session. The Incentive Program will offer matching grants to incentivize new and existing insurance companies to write residential and commercial policies in coastal areas, including writing policies out of Citizens. This program was vital to the successful recovery of our property insurance market after Katrina and Rita in 2005, and it is the key to stabilizing our insurance market today as we continue our recovery from the unprecedented 2020 and 2021 hurricane seasons.

How does it work?

The program will award grants of between \$2 million and \$10 million to each qualified company that applies and is permitted to participate. Those companies will provide 100% matching funds for the grant they receive, and the total new premium required to be written by each company is at least two times that total amount. A company that receives a \$5 million grant would ultimately be required to write at least \$20 million in new premium, and at least half of that \$20 million would have to be written in the 37 high-risk GO Zone parishes. Companies must stay on that coverage for a 5-year period and will earn 20% of the grant in each of those five years. The participating companies will be subject to enhanced solvency monitoring including, but not limited to, newly increased capital and surplus requirements, monthly reporting, in-depth reinsurance program reviews and premium limits in each parish.

Why do we need a special session?

The Incentive Program was recreated, but not funded, in 2022. The sole purpose of my ask for a special session is to appropriate \$45 million for the Incentive Program. Funding the program as soon as possible is important because the sooner we can distribute funds, the sooner policyholders can get out of Citizens. About 10,000 Citizens policyholders per month are experiencing premium increases, required by law, of 63% for residential policies and 76% for commercial policies. Reducing the number of policies in Citizens will reduce Citizens' cost for its reinsurance program that renews on June 1, the first day of hurricane season. The Louisiana Department of Insurance's Incentive Program Regulation 125 (subject to legislative oversight) will be final by February 20. If a special session could be called and concluded by February 15, the LDI could distribute funds to approved companies in early March. This would give participating insurers a three-month period to access reinsurance for their increased book of policies and start writing new business compared to funding it in the regular session.

How many insurance companies will participate?

Five insurance companies participated in the post-Katrina Incentive Program. We have received seven inquiries about participating in the new program so far, five of which are currently licensed. Companies whose owners, officers or directors were associated with any of the companies that failed in 2021 or 2022 will be prohibited from receiving grant funds.

Does the Incentive Program benefit all parts of the state?

Unequivocally, yes. While coastal Louisiana is suffering more than other parts of Louisiana, the entire state will benefit from this Incentive Program. There are two reasons: 1) The Incentive Program will attract more companies to the state, and while those companies will be required to write half their premium in south Louisiana, many will be interested in spreading their risk by writing — and creating savings through competition — across the state, and 2) If Citizens runs out of money, all policyholders are subject to paying off the assessments that fund its shortfall. Louisiana policyholders still have three years of payments left on the \$1 billion of bonds Citizens issued after Hurricane Katrina, not to mention \$200 million in an earlier assessment.

The Insure Louisiana Incentive Program remains the most viable path for reviving our property insurance market, and I would appreciate your support in a special session to quickly fund it to the benefit of all Louisiana policyholders.

With best wishes and warmest regards, I remain

Very truly yours,



Jim Donelon
Commissioner
Louisiana Department of Insurance