



Consumer Federation of America

April 8, 2024

Louisiana House Committee on Insurance
Louisiana House of Representatives
900 North 3rd Street
Baton Rouge, LA 70804

Re: Oppose HB 611—Repeal of Louisiana’s Three Year Insurance Rule

The Consumer Federation of America (CFA) opposes HB 611, which would repeal Louisiana’s “three year rule.” The three year rule provides important protection to consumers and repeal would worsen the current homeowners insurance crisis.

Louisiana Revised Statute 22:1265, known as the three year rule, prohibits insurance companies from raising deductibles, cancelling homeowners insurance policies, or not renewing homeowners insurance policies that have been in effect for three years.¹ The only exceptions to this rule are if homeowners do not pay their premiums, commit insurance fraud, there is a material change in the risk being insured, two or more claims are filed within a three year period, or if the continuation of that policy endangers the solvency of the insurer.

The crisis is primarily due to the escalating risk associated with climate change² and the insurance industry’s reliance on the unregulated global reinsurance market.³ It is exacerbated by too many instances of insurance companies delaying and low-balling claims in the wake of hurricane losses and by too little oversight by the Louisiana Department of Insurance of the insurers and MGAs (managing general agents) that have siphoned profits out of the state even as they put their policyholders at risk.⁴

The insurance industry is well aware of this climate reality – indeed, they are citing it more and more often after years of ignoring the growing risk associated with climate change. But insurers are also attempting to diminish the effects that severe weather and the effect of skyrocketing reinsurance costs are having on the state’s insurance market, while exaggerating the effects of the three year rule.

¹ Louisiana Revised Statutes Title 22, Section 1265. Retrieved on March 29th, 2024. Available at <https://law.justia.com/codes/louisiana/2022/revised-statutes/title-22/rs-22-1265/#:~:text=%C2%A722%3A1265.,for%20rate%20inadequacy%3B%20certain%20prohibitions.>

² “Climate Change Is Causing an Insurance Crisis in Louisiana.” By Leslie Kaufman. Bloomberg News. September 11th, 2023. Available at <https://news.bloomberglaw.com/insurance/climate-change-is-causing-an-insurance-crisis-in-louisiana.>

³ “Tightening of Reinsurance Market Worsens Louisiana’s Ongoing Insurance Crisis.” By Stephen Maloney. New Orleans CityBusiness. March 23, 2023. Available at [https://neworleanscitybusiness.com/blog/2023/03/23/tightening-of-reinsurance-market-worsens-louisianas-ongoing-insurance-crisis/.](https://neworleanscitybusiness.com/blog/2023/03/23/tightening-of-reinsurance-market-worsens-louisianas-ongoing-insurance-crisis/)

⁴ “Louisiana Welcomed Small Insurers Looking to Make Money Fast. Then the House of Cards Collapsed.” By Sam Karlin. The Advocate. January 11, 2024. Available at https://www.theadvocate.com/baton_rouge/news/business/11-of-12-failed-louisiana-insurers-paid-money-to-affiliates/article_45481290-6ef8-50bb-ac17-fc9c31381ef4.html.

If HB 611 passes, insurers would be allowed to cancel up to 5% of their policies each year as long as the policies are not all in one parish, or more with the Commissioner's approval. One of the bill's provisions also declares the insurers' cancellation plans to be proprietary information and trade secrets—and so, not subject to Louisiana's Public Records Law.

The three year rule provides helpful protections for consumers and better aligns insurance company interests with the safety and risk reduction goals of the state, local communities and homeowners themselves. Passing HB 611 would result in a purge of thousands of homeowners' insurance policies, forcing consumers to buy the most expensive, last-resort coverage from Citizens or, worse, drop coverage altogether.

Homeowners with no history of claims pay hundreds or thousands of dollars in higher premiums simply because they have poor credit scores. Many invest in new roofs and more resilient homes, but insurance models and pricing algorithms do not give them the discounts they deserve for lowering the risk. Residents without options turn to Louisiana Citizens and then are charged higher than actuarially indicated rates, because the Legislature has prioritized insurance industry concerns over consumer savings. All of these should be addressed, but taking away one of the few existing consumer protections from homeowners will not solve these problems. It will only make things worse.

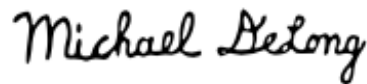
CFA is an association of consumer organizations that was founded in 1968 and works to advance the consumer interest through research, advocacy, and education. Our positions are based on our years of conducting research on insurance markets, working to reduce insurance costs, and opposing unfair discrimination.

We urge you to oppose HB 611 and instead pass meaningful reforms that will protect consumers. Thank you for considering our views.

Please contact us at mdelong@consumerfed.org with any questions.



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