



Consumer Federation of America

May 14th, 2024

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

Re: Support SB 484—Property Insurance—Provides for Changes to Louisiana Fortify Homes Program

The Consumer Federation of America (CFA) urges your support for the amended version of SB 484, which would strengthen the Louisiana Fortify Homes Program and help ensure that actuarially sound discounts benefit policyholders.

While we are disappointed that this bill has been pared back from its original text, SB 484 acknowledges that discounts should be provided to consumers who strengthen their homes and sets up a process for identifying the size of those discounts, as well as ensuring that insurer discounts are publicly available on the Department’s website. Because the bill does not require insurers to provide discounts, it is incumbent on the Legislature to carefully track the extent to which Louisianians’ investment in safety is returned to them in the form of lower premiums. If companies keep all the benefits of these risk reduction efforts and do not provide discounts under the passive approach contemplated in this bill, then the Legislature will have to act again and mandate discounts.

Climate change is causing stronger and more frequent hurricanes and other natural disasters, as well as extreme weather conditions, which, in conjunction with ever escalating reinsurance prices from the unregulated global reinsurance market, are resulting in skyrocketing homeowners insurance costs for Louisiana consumers.¹ At least twenty insurance companies have left the state over the past three years and the Legislature enacted a \$45 million incentive program to attempt to lure companies back.²

In response to this crisis, the Legislature created the Louisiana Fortify Homes Program, which provides grants of up to \$10,000 to homeowners so they can upgrade their roofs to standards set by the Insurance Institute for Business and Home Safety. These strengthened roofs are better able to withstand hurricane-force winds. Only primary residences with proof of active insurance policies are eligible.

The amended version of SB 484, sponsored by Senator Royce Duplessis, would strengthen this program. First, it states that the Louisiana Insurance Commissioner may apply for grants or funds

¹ “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>.

² “As Climate Risks Mount, the Insurance Safety Net is Collapsing.” By Lois Parshley. Louisiana Illuminator. October 11th, 2023. Available at <https://lailuminator.com/2023/10/11/climate-insurance/>.

from the federal government or other funding sources, in order to supplement the funds provided by the state government. In the face of the homeowners insurance crisis, the Fortify Homes Program needs substantially more funding, and this is a welcome step forward. Second, the bill states that the Commissioner may enter into cooperative agreements with public agencies and private entities for these projects. In order to reduce insurance and lower costs for consumers, cooperation between governments, insurers, nonprofits, and other companies is essential, and so this provision is welcome.

Third, SB 484 requires the Insurance Department to publish a list of all the insurance discounts that insurance companies filed and that the Commissioner approved. It also requires this list to be compiled in a publicly available report. Transparency is essential for these programs to work, and consumers need information both about how to reduce risk and about how insurers will lower their rates for various mitigation work.

Finally, the bill requires the Commissioner to release a list of actuarially sound recommendations for the Louisiana Fortify Homes Program and any discounts for insurance companies who are unable to produce their own actuarial data. Insurers should grant these premium discounts or rate reductions to consumers who participate in the program or who undertake other mitigation efforts to lower risk.

Originally, SB 484 required insurance companies to provide premium discounts or insurance rate reductions in the range of 20-30% to any homeowners who undertook mitigation measures to reduce losses. CFA is disappointed that this provision was stripped out and, as noted above, in the event discounts are not quickly introduced, we will call upon the Legislature to include this requirement in a future proposal. Premium discounts or rate reductions ensure that consumers' premiums more accurately reflect the efforts they have taken to reduce their risk..

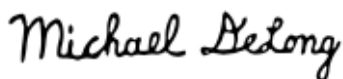
Despite these weakening amendments, SB 484 will still reinforce and improve the Fortify Homes Programs program and result in benefits for consumers. CFA urges your support for SB 484 and also urges the Legislature to pass a future bill requiring premium discounts for mitigation measures.

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

Sincerely,

A handwritten signature in black ink, appearing to read "D. Heller", with a long horizontal line extending to the right.

Douglas Heller
Director of Insurance
Consumer Federation of America

A handwritten signature in black ink, appearing to read "Michael DeLong", written in a cursive style.

Michael DeLong

Research and Advocacy Associate
Consumer Federation of America