

August 6th, 2024

Commissioner Tim Temple
Louisiana Department of Insurance
1702 N 3rd Street
Baton Rouge, LA 70802
Tim.temple@ldi.la.gov

Re: Collecting Data on Louisiana Policies and Insurance Discounts, Participation in the NAIC/FIO Data Call, and Implementation of Insurable Homes Commission

Dear Commissioner Temple:

As Louisianians struggle with the state's expensive and frail homeowners insurance market, we urge you to fully embrace the authority and responsibility of your role as Insurance Commissioner to protect consumers and help policyholders and policymakers better understand the market and make informed decisions that are critically important to sustainable homeownership in Louisiana.

In order to address the problems of ever-escalating insurance premiums, the difficulty of even finding or maintaining a policy for many residents, and increasing climate risk, it is essential that the Department of Insurance lead efforts to collect key data, support home hardening and loss mitigation incentives, and create an Insurable Home Commission.

First, we applaud the Legislature and the Insurance Department for the recent passage of SB 484, which strengthens the Fortify Homes Program by requiring the Department to publish a list of all the insurance discounts that insurance companies file and that are approved, and also requires the release of a list of actuarially sound recommendations for the program. However, this bill is only a beginning and the Department must take additional measures to help consumers.

Specifically, the Department should collect the homeowners insurance data already being collected by most state insurance departments as part of the National Association of Insurance Commissioners' (NAIC) and Federal Insurance Office's (FIO) Property and Casualty Insurance Market Intelligence Data Call. While we believe that the NAIC Data Call is itself insufficient to fully assess the weaknesses and vulnerabilities of the home insurance market, we believe it is a minimum step the Louisiana Department of Insurance (LDI) should take, and we would be pleased to work with you to identify additional data collection that would be helpful. In addition to that data, we believe that it is in the public interest for LDI to issue a requirement that every insurer report the number and value of discounts their company has provided to Louisiana homeowners who have invested in loss mitigation improvements to their homes. Among other uses, this will be extremely helpful information to provide to a Louisiana Insurance Homes Commission, which we would be pleased to help you create.

In order to assist Louisiana homeowners and to ensure access to relevant insurance information, we urge LDI to undertake several actions. First, the Department should conduct a data call that identifies the number of Louisiana homeowners insurance policies where insurance discounts/rate reductions have been applied, and the value of those discounts. In order to lower costs and increase safety, homeowners and communities must undertake mitigation measures that will reduce risk throughout the state. But when they make that investment to lower risk, they deserve the fruits of their labor and must receive insurance discounts in exchange for lowering the risk of loss for the insurance companies that underwrite their homes. Insurers should not keep these savings for themselves and further contribute to unaffordable insurance premiums. In order to better encourage mitigation efforts, policymakers, consumer advocates, and consumers must know how many policies are receiving these discounts, how large the discounts are for individual households, and the total value of those discounts.

Second, the NAIC recently completed its first market intelligence data call on homeowners insurance, and has indicated that it will conduct annual data calls in the future. While we believe that the NAIC Data Call could be improved, we do not understand why Louisiana chose to be one of the few states that decided not to participate in this data call. LDI should fully participate in these future data calls so that Louisianians may have a complete picture of the homeowners insurance market and crisis.

Third, the Department should create and implement an Insurable Homes Commission. Its duties would be as follows: to create and publish a comprehensive study on flood insurance, FEMA (Federal Emergency Management Agency) Risk Rating 2.0, reinsurance costs and disaster recovery funding, building codes and permits, and fortified roof practices and policies. The study would also examine risk mitigation efforts, increased writing of insurance in Louisiana, and how mitigation efforts and more available companies impact homeowners and renters' premiums.

The Commission will consist of two members of the House Committee on Insurance, two members of the Senate Committee on Insurance, the Commissioner of Insurance or their designee, the Director of the Governor's Office of Housing or their designee, and one member from each of the following organizations:

- 1) Housing Louisiana
- 2) Affordable Energy
- 3) Real Reform Louisiana
- 4) Environmental Defense Fund
- 5) Disaster Justice Network
- 6) Smart Home America
- 7) Independent Insurance Agents & Brokers of Louisiana
- 8) Louisiana Municipal Association, and
- 9) The Police Jury Association.

As is abundantly clear, climate change is causing more extreme weather conditions and natural disasters, resulting in stronger hurricanes and storms. These conditions, together with seven straight years of escalating prices from the unregulated global reinsurance market, have resulted in skyrocketing homeowners insurance costs for Louisiana consumers.¹ The insurance crisis is causing more Louisianans to drop homeowners insurance coverage—a worrying and harmful trend that leaves consumers completely exposed to catastrophic events.² As homeowners attempt to navigate rising prices for insurance and insurer withdrawals from certain areas, policymakers, consumer advocates, and researchers find little public data available to help them address this crisis and homeowners do not have the protection they need to weather the current storm in the market.

We stand ready to work with you on information collection, participating in the NAIC's data call, and establishing the Insurable Homes Commission. Please contact us at cnicholson@housingnola.org with any questions.

Sincerely,

Consumer Federation of America
HousingNOLA
Real Reform Louisiana

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 Insurance Costs Rise, Some Louisianans Drop Insurance, Raising Alarms." By Sam Karlin. The Advocate. June 17th, 2024. Available at <https://insurancenewsnet.com/oarticle/as-insurance-costs-rise-some-louisianans-drop-insurance-raising-alarms>.