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Report Highlights

Louisiana Department of Insurance

Regulation of Residential Property Insurance

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Why We Conducted This Audit

We evaluated the Louisiana Department of Insurance's (LDI) regulatory activities to ensure that insurance companies comply with laws and handle claims fairly and timely. We conducted this audit, in part, due to Louisiana's vulnerability to natural disasters and the impact of the 2020 and 2021 hurricane seasons. Louisiana is often impacted by hurricanes and other weather events that cause wind damage and flooding. According to the National Oceanic and Atmospheric Administration (NOAA), Louisiana ranks second in the nation for the highest costs due to storm damages. NOAA states that Louisiana's significantly smaller-sized population and economy relative to other states, such as Texas and Florida, increases the severity of disaster costs and impacts and makes recovery more difficult.

What We Found

Overall, we found that LDI has procedures and practices to ensure that insurance companies comply with laws and handle claims fairly and timely, including licensing most adjusters, investigating complaints related to insurance, monitoring insurance companies and individuals for violations of Louisiana's insurance code, and issuing regulatory actions against insurance companies and individuals violating Louisiana's insurance code. However, we identified additional ways LDI could strengthen these activities, as well as a revision to Louisiana's insurance code that the legislature may wish to consider. Specifically, we found:

- **Most adjusters for the calendar year 2020 and 2021 hurricanes were licensed, meaning they demonstrated they were qualified to adjust claims by passing an exam and meeting other licensure requirements. However, catastrophe adjusters are not required to be licensed, and prior to the calendar year 2020 and 2021 hurricanes there were no qualification requirements for an individual to act as a catastrophe adjuster.** While Louisiana has implemented new requirements for catastrophe adjusters, LDI could do more to ensure that they are qualified by collecting information to determine whether catastrophe adjusters are licensed by another state.
- **Most complaints LDI received for the calendar year 2020 and 2021 hurricanes were related to issues with how insurance companies and adjusters were handling claims. While LDI exceeded its goal of completing 70% of complaint investigations within 42 days during calendar years 2017 through 2019, an influx of hurricane-related complaints in calendar years 2020 and 2021 led to LDI closing 55.9% of residential property complaints within 42 days.** In addition, LDI did not always report accurate information related to complaints, including the outcome of complaint investigations and the amount recovered as a result of complaint investigations. For example, LDI incorrectly calculated recovered funds by at least \$22.6 million for complaints related to the calendar year 2020 and 2021 hurricanes.

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What We Found

Number of Residential Property Complaints by Claims Handling Issue Calendar Year 2020 and 2021 Hurricanes			
Claims Handling Issue	Description	Number	Percentage
Claim Delay	Complaints that insurance companies delayed the claim process by sending an unnecessary number of adjusters, took too long to review/respond to claims, etc.	3,004	53.4%
Unsatisfactory Settlement	Complaints that the insurance company's payment or settlement offer was less than the amount expected by the claimant.	1,614	28.7%
Claim Denial	Complaints that insurance companies improperly denied claims.	996	17.7%
Adjuster Handling	Complaints about how adjusters performed duties such as not thoroughly inspecting damaged areas, submitting reports that conflicted with verbal statements provided to policyholders, etc.	975	17.3%
Other	Complaints related to assignment of benefits, insurance companies not complying with appeal procedures, etc.	276	4.9%
Total		5,629*	

*A single complaint can have multiple claims handling issues reported, so the number of complaints by claims handling issue is higher than the total number of complaints, and the percentage of complaints by claims handling issue is greater than 100%.

Source: Prepared by legislative auditor's staff using LDI data.

- **LDI conducted activities to monitor the market conduct of insurance companies in accordance with state law and best practices and plans to implement new procedures to identify claims handling issues. LDI could further enhance its monitoring of insurance companies by conducting additional market conduct investigations focused on claims handling.** In addition, state law could be revised to include additional time frame requirements related to claims handling. LDI conducted a total of 196 market conduct investigations covering all lines of insurance during calendar years 2019 through 2021. Of the 196 investigations, 56 (28.6%) were related to homeowners insurance companies and included issues related to business practices and claims handling.
- **LDI issued 25 regulatory actions against homeowners insurance companies and 1,902 regulatory actions against adjusters during calendar years 2017 through 2021. Most regulatory actions were administrative in nature.** For example, 15 (60.0%) of 25 regulatory actions against insurance companies were related to administrative issues such as failing to maintain records, failing to timely file required information, and using unapproved forms, while 1,663 (87.4%) of 1,902 regulatory actions against adjusters were related to inaccurate addresses.