PROPERTY INSURANCE AFFORDABILITY

LOUISIANA DEPARTMENT OF INSURANCE

ECONOMIC ADVISORY SERVICES

Informational Report
Issued January 30, 2023

LOUISIANA LEGISLATIVE AUDITOR

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LOUISIANA LEGISLATIVE AUDITOR

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January 30, 2023

The Honorable Patrick Page Cortez,
President of the Senate
The Honorable Clay Schexnayder,
Speaker of the House of Representatives

Dear Senator Cortez and Representative Schexnayder:

This report provides the results of our analysis of potential legislative actions that could improve the availability and affordability of property insurance in Louisiana.

The report contains our findings, conclusions, and recommendations. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the Louisiana Department of Insurance and Louisiana Citizens Property Insurance Corporation for their assistance during this project.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

MJW/ch

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Informational Report

Property Insurance Affordability

Louisiana Department of Insurance

MICHAEL J. "MIKE" WAGUESPACK, CPA

Audit Control# 40230006
Economic Advisory Services – January 2023

Background

> **Property Insurance**
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> In this report, "property insurance" refers to five lines of insurance, corresponding to the lines of coverage included in the Insure Louisiana Incentive Program:
>
> - Fire
> - Allied Lines
> - Homeowners multi-peril
> - Farmowners
> - Commercial multi-peril (non-liability portion)
>
> A description of each of these lines can be found in Appendix B.

Property insurance helps homeowners, renters, landlords, business owners, and other property owners recover from damages caused by fires, windstorms (such as hurricanes), and other perils. It is important for individuals to be able to obtain insurance for properties in a given area in order for residential development to occur there. Without homeowners insurance, individuals could face the loss of their home, which is likely their most valuable asset, as a result of hurricane wind damage that they cannot afford to repair. Furthermore, homebuyers generally must insure their home in order to obtain a mortgage.

Although homeowners insurance covers non-catastrophic losses from events like fires or thefts that are relatively isolated incidents, catastrophic wind damage from hurricanes that affect large numbers of properties is the major driver of property insurance losses in Louisiana.[1] Property insurance in Louisiana has historically been characterized by long stretches of low losses, during which insurers and reinsurers accumulate capital for future storms. In 14 of the 18 years between calendar years (CYs) 2004 and 2021, insurers selling property insurance policies earned significant profits, incurring 32.5 cents in losses for every dollar of direct earned premium in Louisiana before accounting for reinsurance. However, in four of those years -- 2005, 2008, 2020, and 2021 -- insurers incurred direct losses before reinsurance of $4.40 for every dollar of earned premium. The two-year period of 2020 and 2021, with consecutive years of significant disasters in different parts of the state, has placed an exceptional burden on the property insurance market. Since January of 2020, nine insurers, accounting for 10.6% of homeowners insurance premiums earned in Louisiana in CY 2020, have entered into insolvency.

As a result of insolvencies and caution among insurers in Louisiana's property market, among other factors, many property owners have turned to the Louisiana Citizens Property Insurance Corporation (LCPIC) for property insurance, which grew

[1] Property insurance policies written by private insurers and the Louisiana Citizens Property Insurance Corporation generally do not cover flood damage, which is instead covered by the federal National Flood Insurance Program.

528.8% between the third quarters of CYs 2021 and 2022.[2] LCPIC's statutory purpose pursuant to Louisiana Revised Statute (R.S.) 22:2291 is to provide a residual market to provide essential property insurance for applicants who are in good faith entitled but unable to procure insurance through the voluntary market. If LCPIC faces losses that cause it to use up all of its profits and reserves, R.S. 22:2307 requires LCPIC to levy assessments on all property insurance policies sold by authorized insurers throughout the state. Since CY 2007, all property insurance policies statewide are subject to an emergency assessment (2.1% for CY 2023) to repay LCPIC's debts from hurricanes Katrina and Rita, which are scheduled to be retired in CY 2026.

LCPIC filed and received approval for a rate increase of 63.1% effective January 1, 2023, for its personal lines coverage,[3] primarily because of increased reinsurance costs.[4] We estimate that LCPIC's rate increase would only have been 31.0%, instead of 63.1%, if reinsurance costs had stayed the same between 2021 and 2022. R.S. 22:2303 requires LCPIC to set rates that are 10% higher than the highest market rate premium in a given parish, or 10% higher than LCPIC's actuarial cost, whichever is higher. LCPIC determines the market rate by surveying rates charged by private insurers operating in Louisiana. State law provides that the market rate for each parish is the highest rate charged by an insurer with at least 2% of the market in that parish, or for personal lines other than wind and hail only policies, an insurer that has added at least 25 policies in the preceding year. LCPIC's actuarial cost is based on past experience and industry-wide data for non-catastrophe losses, computer modeling for catastrophe losses, and LCPIC's current reinsurance program.[5] Exhibit 1 shows the average statewide market, actuarial, and actual rates for LCPIC's homeowners line of coverage and what percentage of the premiums in the state were determined by each method. As shown in the exhibit, market rates determined upwards of 98% of LCPIC's premiums in 2020 and 2021, but by 2023, only 15.8% were determined by market rates. LCPIC's homeowners rates actually decreased from June 2020 to June 2021 by 3.6%, only to increase 52.4% from June 2021 to January 2023.

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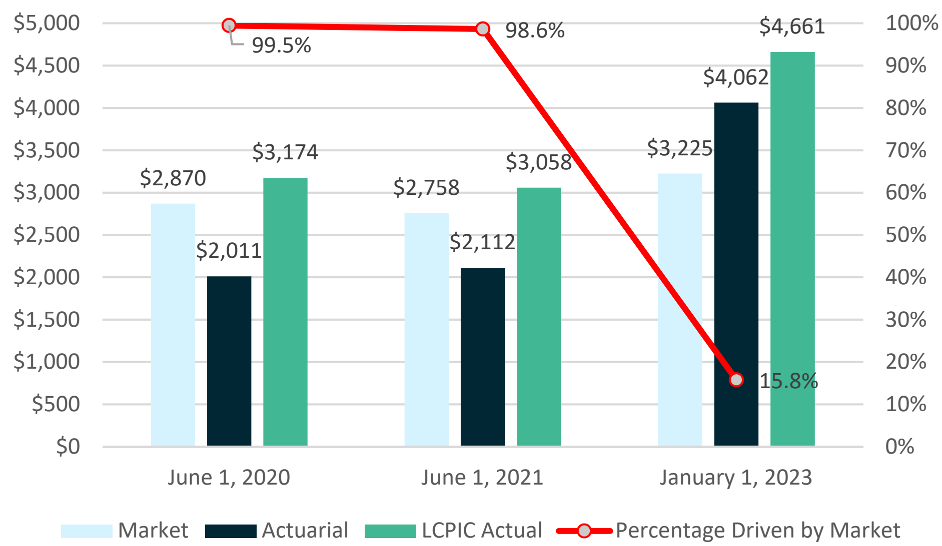
[2] LCPIC's direct written premium increased from $53.9 million in the first three quarters of CY 2021 to $338.8 million in the first three quarters of CY 2022.
[3] LCPIC's personal lines include fire, extended coverage, homeowners, renter/condo, mobile home, and wind-only.
[4] According to the National Association of Insurance Commissioners, reinsurance is a transaction between a primary insurer and another licensed (re)insurer where the reinsurer agrees to cover all or part of the losses and/or adjustment expenses of the primary insurer. As of the third quarter of 2022, LCPIC had ceded $87.2 million, or 66.1%, of its $132.0 in earned premiums, to reinsurers. In the first three quarters of 2021, LCPIC had only ceded 44.3% of its earned premiums for reinsurance.
[5] R.S. 22:2297(D)(6) requires LCPIC to purchase reinsurance to minimize the likelihood of assessments.

Exhibit 1
Louisiana Citizens Property Insurance Rate Increases
Homeowners Multi-peril Policies
Statewide Average for All Parishes
Rate Filings Effective June 2020 through January 2023



Note: Statewide averages in this exhibit are weighted based on total inforce premium in each parish.
Source: Prepared by legislative auditor's staff using information from LCPIC's rate filings.

This report analyzes three possible approaches that the Legislature could take to address the availability and affordability of property insurance in the voluntary market. For each approach, we considered the costs associated with implementing the proposal, as well as the potential benefits. Our analysis produced the following results:

- The Insure Louisiana Incentive Program (ILIP), if funded, would provide insurers with incentives to expand in Louisiana, offering consumers insurance that may cost 45% to 57% less than insurance provided through LCPIC. However, during the previous ILIP program from 2008 to 2015, most of the new companies that entered the state did not receive ILIP incentives, and 79.4% of the growth in premium volume was attributable to non-ILIP recipient companies. The companies were only able to write $23.5 million in premiums in 2008, the first year of the program, or 20.2% of their combined target, compared to $24.5 million written by 20 non-recipient companies that also entered the state's property insurance market in 2008. As a result, the private insurance market can likely meet most of the demand for property insurance in Louisiana even if incentives are not available.

- Improved construction standards have been shown to reduce hurricane losses by as much as 72% to 76% and can enable insurance policyholders to benefit from wind mitigation premium credits averaging $839 for a typical policy south of I-10/12. The Legislature could allocate funding to the Louisiana Fortify Homes Program (LFHP) if it wants to provide additional incentives to homeowners to upgrade their homes.

- The state could provide a $50 million capital investment to the Louisiana Citizens Property Insurance Corporation (LCPIC) which may enable LCPIC to increase its reinsurance by an estimated $65 to $204 million or provide savings to policyholders. However, this would require amending state law, and market conditions may limit LCPIC's ability to buy more reinsurance or reduce its rates.

This report does not recommend a specific course of action but instead aims to provide information that the Legislature may wish to consider in its decision-making process. None of these approaches are mutually exclusive except insofar as the state has finite resources. A detailed explanation of each approach and our results follows below. Appendix A contains LDI's response, and appendices B, C, and D contain supplemental information on property insurance lines of coverage and premium volumes across different categories of insurance companies and lines of coverage.

The Insure Louisiana Incentive Program (ILIP), if funded, would provide insurers with incentives to expand in Louisiana, offering consumers insurance that may cost 45% to 57% less on average than insurance provided through LCPIC. However, past experience suggests that the private insurance market can likely meet most of the demand for property insurance in Louisiana even without incentives.

ILIP was re-authorized by Act 754 of the 2022 Regular Session and authorizes the insurance commissioner to award grants to participating insurers to encourage them to participate in the voluntary property insurance market. The program's goals are to increase the availability of property insurance, increase competitive pressure on insurance rates, and substantially reduce the volume of business written by LCPIC, thereby offering a less expensive alternative to its policyholders and reducing LCPIC's exposure to an increased deficit and future assessments. On January 22, 2023, the Governor called a special session for the sole purpose of appropriating funds for ILIP.

The state utilized ILIP in 2008 to provide incentives to five insurers to write property insurance policies in Louisiana in the aftermath of hurricanes Katrina and Rita. The Legislature found that Louisiana was experiencing a crisis in the availability and affordability of insurance for residential and commercial properties. Act 447 of the 2007 Regular Session created ILIP to attract more insurers to the state, increase competition and thereby reduce rates, and reduce the volume of business written by LCPIC. The program received $29 million in funding at the December 2007 Joint Legislative Committee on the Budget meeting, and in January 2008 these funds were distributed to five insurers, as shown in Exhibit 2 below.

Exhibit 2
Results of 2007 Insure Louisiana Incentive Program

Company	Premiums Required (millions)	Premiums Written (millions)	Initial ILIP Grant (thousands)	Grant Funds Earned (thousands)	Grant Funds Returned (thousands)
ASI Lloyds	$100	$370.6	$5,000	$5,000	$0
Companion Property and Casualty Insurance Company	40	32.6	2,000	901	1,099
Imperial Fire and Casualty Insurance Company	100	58.4	5,000	3,881	1,119
Occidental Fire and Casualty Company of North Carolina	200	90.8	10,000	7,791	2,209
Southern Fidelity Insurance Company	140	201.0	7,000	6,943	57
Total	**$580**	**$753.4**	**$29,000**	**$24,516**	**$4,484**

Note: Each company had five years to meet their grant requirements, except for Southern Fidelity, which had one additional month during its first earning period. Southern Fidelity's five-year period began in March 2008, Imperial's began in April 2010, and the remaining companies' began in April 2009.

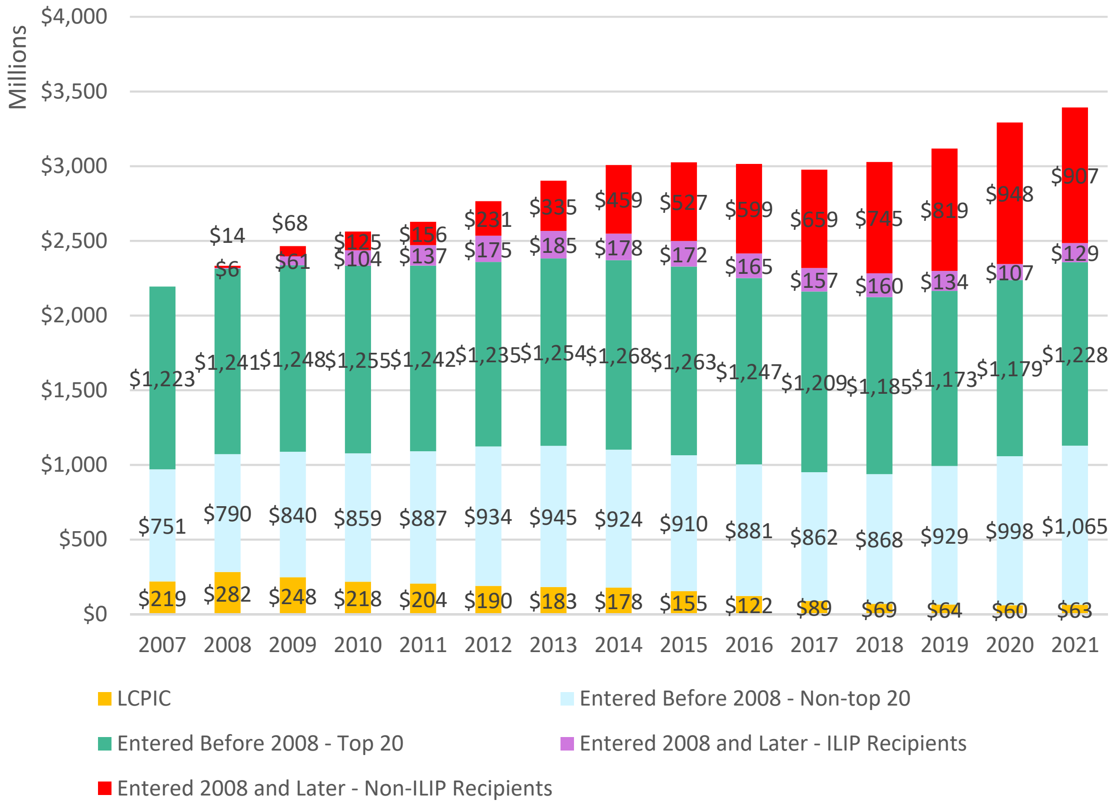
Source: Prepared by legislative auditor's staff using information from the Louisiana Department of Insurance (LDI).

For each dollar of grants received, each company had to write $4 of premium for five years, for a total of $20 of premium. As a result, the incentive was effectively worth 5% of premiums written. Each company could receive credit for premiums written in five lines of coverage: fire, allied lines, farmowners, homeowners, and commercial multi-peril non-liability.[6] In addition, each company had to write at least 50% of their required premiums to policyholders located in one of the 37 Gulf Opportunity Zone (GO Zone) parishes,[7] and 25% of premiums written had to go to former LCPIC policyholders, of whom half had to be located in GO Zone parishes. The five companies in aggregate wrote $753.4 million in premiums and their total writings over their full five earning periods exceeded the required premium amounts for all categories, but four of the five companies individually fell short in at least one metric. As a result, the companies repaid $4.5 million (15.5%) of the original $29 million and retained the remaining $24.5 million earned.

While the five ILIP recipient companies did earn a combined $127.2 million annually in property insurance premiums over CYs 2008-2015, during the same time period there were an average of 64.5 companies that also had entered[8] the state since CY 2007 earning a combined $239.5 million per year in premiums without requiring ILIP grants as an incentive to do so. As shown in Exhibit 3, the overall amount of property insurance premiums written in Louisiana increased 37.9%, from $2.2 billion in 2007 to $3.0 billion in 2015. New companies that entered in 2008 and later accounted for $698.6 million (84.0%) of this increase, while established companies accounted for 23.8%.[9] In all years from 2008 on, the non-recipient companies had a higher volume of earned premiums than ILIP recipient companies. LCPIC decreased 29.4% in size, consistent with the Legislature's goal of making private insurance in the voluntary market more readily available to reduce reliance on LCPIC.

[6] Appendix B contains descriptions and annual premium volumes for CYs 2007 through 2021 for each of these lines.
[7] The 37 parishes included in the GO Zone were Acadia, Allen, Ascension, Assumption, Beauregard, Calcasieu, Cameron, East Baton Rouge, East Feliciana, Evangeline, Iberia, Iberville, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Orleans, Plaquemines, Pointe Coupee, Sabine, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermillion, Vernon, Washington, West Baton Rouge, and West Feliciana.
[8] We identified 123 companies as having newly entered the state if they had no earned premiums in property insurance lines in Louisiana in CY 2007, but had positive amounts of earned premium in CY 2008 or subsequent years. These companies also all had zero or negative earned premiums for CYs 2006 and 2007. The number of companies with property insurance earned premiums increased from 19 in 2008 to 95 in 2015.
[9] LCPIC decreased in size by $64.5 million, or 7.8% of the $832.0 million growth in earned premiums.

Exhibit 3
Growth of Property Insurance Earned Premiums by Insurer Category
Calendar Years 2007 to 2021



Source: Prepared by legislative auditor's staff using data from LDI's Regulated Management System.

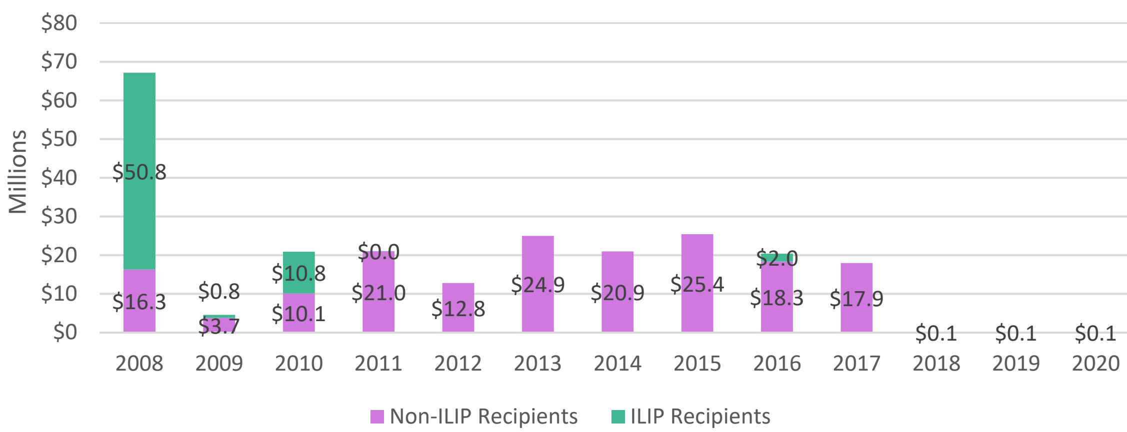
Among the new companies that entered in 2008 and later, the top 10 earned 66.7% of the total earned premiums over CYs 2008-2015, average $195.8 million per company over the five-year period. The remaining 118 companies were smaller, earning $8.3 million during the same years. The premiums earned by new, non-recipient companies were approximately evenly divided between companies that were part of a larger group of companies[10] that was already established and earning premiums in the Louisiana property insurance market prior to 2008, and companies that were not part of such groups. Specifically, companies in established groups earned an average of $120.7 million (50.4%) per year, while companies in new groups earned $118.8 million (49.6%). Appendix C provides additional information on these groups of companies. State-level data from the National Association of Insurance Commissioners (NAIC) indicate that much of the increase in premium volume during this time was caused by increased premiums per policy (or house-year of exposure), not an increase in the number of policies.

[10] We identified groups of companies using group codes assigned by the National Association of Insurance Commissioners.

ILIP companies increased their premium volumes gradually during the first three years of the program, achieving only 20.2% of their combined written premium targets in the first year of the program, 78.3% in the second year, and 101.5% during the third year. LDI's proposed ILIP rules give companies two years to start meeting their written premium requirements. ILIP companies received grants in January 2008, but they were not all required to begin writing policies in 2008. Three of the five companies' earning periods did not begin until April 2009, 15 months after they received incentive checks, and one company did not begin until April 2010. Under LDI's proposed rules,[11] companies would have up to two years to reach their target premium amount. The five-year time window during which companies would need to maintain the designated level of written premium does not begin until they reach the required level of premiums.

ILIP recipients accounted for $50.8 million (75.8%) of the $67.1 million in depopulation in CY 2008, with non-recipients accounting for the remaining $16.3 million. However, for all of CY 2008 through 2015, non-recipients accounted for $135.1 million (68.4%) of depopulation. R.S. 22:2314 permits LCPIC to offer some or all of its in-force policies for removal to the voluntary market. The statute requires participating insurers to have an A.M. Best rating of at least B+, or its equivalent. The first two rounds of depopulation occurred in March and December of 2008, and resulted in $67.1 million in total inforce premium, or 39,492 policies, being taken out by private insurers. As shown in Exhibit 4, ILIP recipients accounted for 75.8% of this depopulation. However, non-recipients were accounted for more of the depopulation in subsequent years. Specifically, over CYs 2008 through 2015, non-recipients accounted for 68.4% of all depopulation.

Exhibit 4
LCPIC Depopulation by ILIP Recipients and Non-Recipients
Total Inforce Premium Depopulated
CYs 2008 through 2020

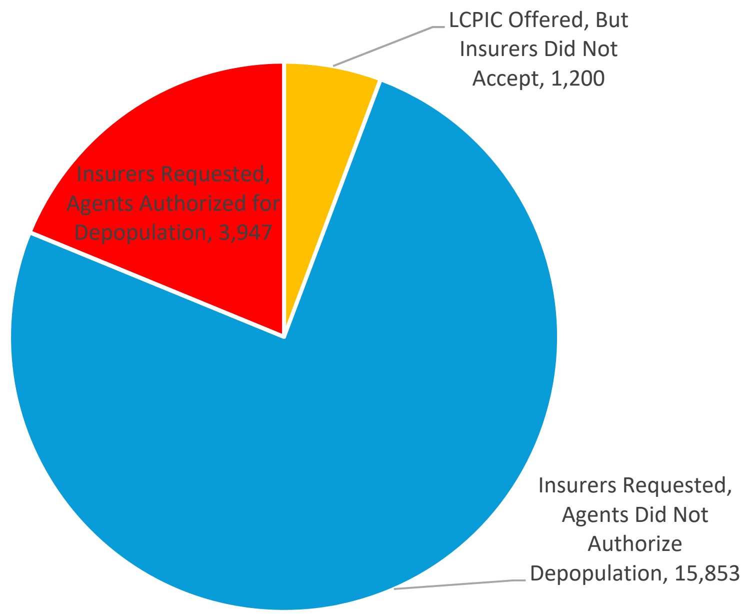


Source: Prepared by legislative auditor's staff using information from LCPIC and LDI.

[11] These were included in the *Louisiana Register* in November 2022 (LR 48:2850).

In CY 2022, LCPIC offered 21,000 policies for depopulation, and participating companies requested 19,800 (94.2%) for depopulation. However, only 3,947 (20%) were authorized for depopulation by agents of record. In June 2022, LCPIC made available a list of 21,000 policies for depopulation. Two participating insurers, neither of which were ILIP recipients in 2008, requested 19,800 policies, 94.2% of the total offered. However, only 3,947 policies, 20% of the original offer, were made authorized by agents for depopulation. Round 16 depopulation took effect December 2022. The depopulation process allows for both policyholders and their agents to opt-out and remain with LCPIC. Exhibit 5 shows the number of policies LCPIC offered for depopulation and the ultimate number that were actually depopulated.

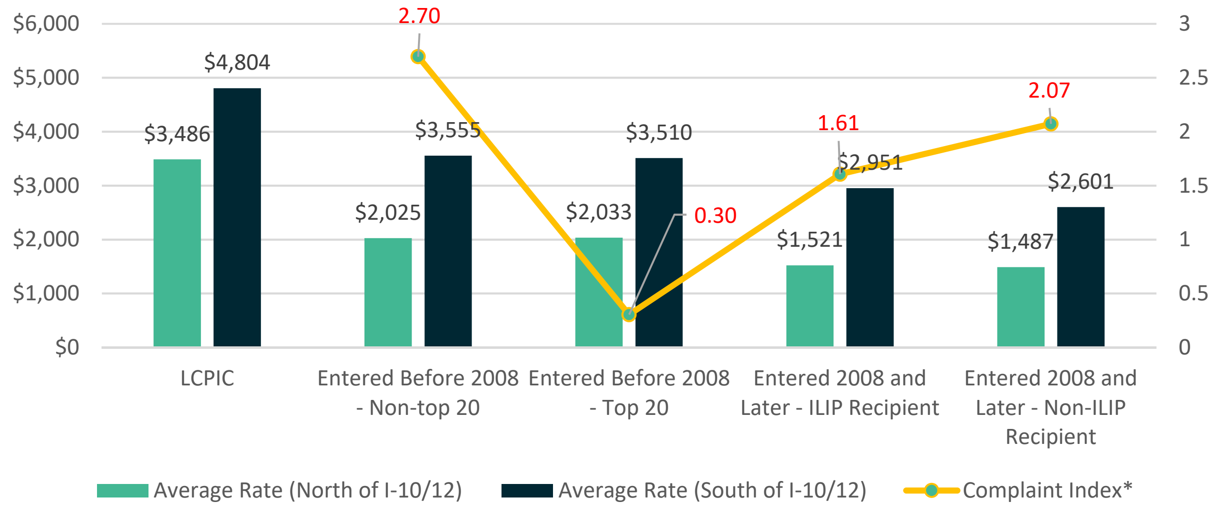
Exhibit 5
Number of Policies Offered and Authorized for Depopulation
CY 2022



Source: Prepared by legislative auditor's staff using information from LCPIC.

The new insurance companies, both ILIP recipients and non-recipients, that entered the state starting in 2008 had homeowners insurance rates that were $1,995 (57.2%) to $2,160 (45.0%) lower than LCPIC's rates for a typical home north and south of I-10/12 as of CY 2019. Increasing the availability of private insurance would be a way to reduce the cost of property insurance for individuals who are able to obtain insurance in the private market. Exhibit 6 compares typical rates for a standardized, $200,000 owner-occupied house north or south of the I-10/12 corridor, based on rates made available through LDI's homeowners rate comparison tool. In addition, the exhibit shows that, while the new companies had more complaints than the largest companies, they had relatively fewer complaints than smaller, established companies that had been offering property insurance in Louisiana prior to 2008.

Exhibit 6
Average Homeowners Insurance Premium and Complaint Index
CY 2019



***** The complaint index is calculated as each company's number of complaints against it, divided by its written premiums, normalized so that the average is equal to 1. No complaint index is available for LCPIC.
Note: Premiums are standardized for a $200,000 house, owner-occupied, 10 years old, brick veneer, 1,800 square feet, $100,000 contents coverage, 2% hurricane deductible, $500 all other peril deductible, clean claims history, 710 credit score, no wind mitigation, no multiline discount.
Source: Prepared by legislative auditor's staff using data from LDI's homeowners rate comparison tool.

ILIP recipient companies had larger surpluses than non-recipient companies, which is correlated with lower risk of insolvency, but they had a higher percentage of their premiums in Louisiana and had a higher percentage of their Louisiana business in property insurance. The median amount of premium earned by ILIP companies was $20.4 million, approximately 99 times as much as the $0.2 million in premiums earned by other new companies that were non-entrants. However, the median ILIP recipient was only 66% larger in terms of surplus than the median new entrant, non-recipient company. Furthermore, ILIP recipients had an average of 61.4% of their direct premium earned in the five property insurance lines covered by ILIP, while non-recipient companies were more diversified into other lines of coverage, earning only 38.3% of their premiums from property insurance. Different lines of business, such as non-property insurance, may have lower correlation with property insurance losses, which could help smooth cash flows over time for diversified insurers, reducing systemic risk.[12] Finally, the new, non-recipient companies accounted for $135.1 million (68.4%) of the premium depopulated from LCPIC, compared to $62.4 million (31.6%) depopulated by ILIP recipients. Exhibit 7 shows the characteristics of new and established insurance companies in Louisiana as of CY 2015, the year in which the last earning periods ended for ILIP.

[12] Regele, Fabian (2022). "Insurance Business Diversification and Systemic Risk." *Journal of Insurance Regulation*.

Exhibit 7
Characteristics of Insurance Companies Operating in Louisiana
Calendar Year 2015

Description	La. Citizens Property Insurance Corporation	Established Companies (Present Before 2008)		New Companies (Entered 2008 and Later)	
		Largest 20	Smaller Companies	ILIP Recipients	Non-recipients
Number of Companies	1	18*	257	5	95
Median Dollars of Surplus per Company, 2015	$39.2 million	$1,139.4 million	$146.3 million	$97 million	$58.5 million
Median Dollars of Louisiana Property Insurance Premiums per Company, 2015	$154.7 million	$40.3 million	$1.0 million	$20.4 million	$0.2 million
Aggregate Change in Premiums, 2007-2015	-$64.5 million	$60.5 million	$242.1 million	$171.7 million	$526.9 million
Cumulative LCPIC Premiums Depopulated via Take-out	Not applicable	$0	$0	$62.4 million	$135.1 million
Average percent of each company's business in Louisiana	100.0%	14.2%	4.7%	22.0%	11.7%
Average percent of each company's business in property insurance	100.0%	53.2%	33.1%	61.4%	38.3%
Number (Percent) of Companies Becoming Insolvent through 2022	0 (0%)	0 (0%)	2 (0.8%)	1 (20%)	5 (5.3%)

* There are only 18 insurers in this category because, of the top 20 insurers in Louisiana's property insurance market in 2007, one stopped offering property insurance in Louisiana in 2010, and another was LCPIC, which is reported in a separate category.
Source: Prepared by legislative auditor's staff using data from LDI.

For ILIP to provide more savings to the public than it costs the state to implement, this would require that at least 3.9% to 8.0% of the premiums written by participating insurers would not have been written but for the incentive program for the full five-year period. This percentage would be higher if the new premiums written do not go to former LCPIC policyholders, if the new ILIP recipients have higher premiums than other insurers that have entered the state's insurance market, or if the importance of the incentive decreases over the five-year lifespan of the program. We estimate that if all newly written ILIP policies come from LCPIC, this would amount to $1,853 in savings per policy south of I-10/12, or $1,965 in savings per policy north of I-10/12. The ILIP program effectively requires insurers to write $4 of premium per year for five years for every $1 of incentive received, which translates to $20 of premium for $1 of incentive, or 5%. Since the cost per policy would amount to $148 to $76 south or north of I-10/12, the state's costs as a percentage of the potential benefit to policyholders amount to 8.0% south of I-10/12 or 3.9% north of I-10/12. Exhibit 8 shows this calculation.

Exhibit 8 But-for Percentage Needed for Insure Louisiana Incentive Program to Break Even		
Region	**South of I-10/12**	**North of I-10/12**
Typical Premium – LCPIC	$4,804	$3,486
Typical Premium – Previous ILIP Recipients	$2,951	$1,521
Savings to Policyholder	$1,853	$1,965
Cost to State (5% of ILIP Recipient's Premium over five years)	$148	$76
Break-Even But-for Percentage	8.0%	3.9%
Source: Prepared by legislative auditor's staff using information from LDI's homeowners rate comparison tool.		

Although the 2007 ILIP statute and program rules required participating companies to write at least a certain percentage of their premiums to former LCPIC policyholders or policyholders in the coastal parishes defined by the GO Zone, the current ILIP statute and regulations do not require participating insurers to write to policyholders coming out of LCPIC.[13] Ensuring that ILIP companies offer insurance to LCPIC recipients or in parishes with a lack of insurance market activity will be essential to ensuring that the program's benefits exceed its costs.

[13] LDI's ILIP regulations proposed in the November 2022 *Louisiana Register* require recipient companies to write at least 50% of their premiums in GO Zone parishes.

Improved construction standards have been shown to reduce hurricane losses by as much as 72% to 76% and can enable insurance policyholders to benefit from wind mitigation premium credits averaging $839 for a typical policy south of I-10/12. The Legislature could allocate funding to the Louisiana Fortify Homes Program (LFHP) if it wants to provide additional incentives or relief for homeowners to upgrade their homes.

In the aftermath of Hurricane Andrew in 1992, which caused $15.5 billion in insurance claims and 11 insurer insolvencies, researchers found that newer homes built to comply with progressively weakening building code requirements between the 1960s and 1980s had more severe damage than older homes.[14] An engineering review found that improper attachment of roofing materials and roof-sheathing panels was a major cause of the economic impact of Hurricane Andrew, citing a "total lack of execution in certain connection details" and "general lack of craftsmanship and good construction practices" in all damaged structures inspected.[15] In 1995, Florida's coastal areas began requiring more stringent construction standards, and ultimately the 2001 Florida Building Code, which became effective March 1, 2002, superseded all local codes.

A review of windstorm damages in Charlotte County, Florida by the Insurance Institute for Business and Home Safety (IBHS) in 2004 following Hurricane Charley found that newer homes built between 1996 and 2004 had a 60% lower claims frequency, and that when claims were filed, they were 42% less severe, implying an overall reduction of 76% in losses.[16] Another study estimated that the Florida Building Code reduced windstorm losses by up to 72%, with the benefits of mitigating windstorm risks exceeding the costs after approximately eight years, on average.[17] The same researchers also found an important role for local enforcement of building codes, with more stringent jurisdictions having additional loss reduction on the order of 15% to 25%.[18]

Louisiana enacted a statewide building code through Act 12 of the First Extraordinary Session of 2005, and additional improvements to the state's building

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[14] Fronstin, Paul and Alphonse G. Holtmann (1994). "The Determinants of Property Damage Caused by Hurricane Andrew." *Southern Economic Journal*, Vol. 61, No. 2.
[15] Keith, Edward L., and John D. Rose (1994). "Hurricane Andrew—Structural Performance of Buildings in South Florida," *Journal of Performance of Constructed Facilities*, Vol. 8 No. 3.
[16] Insurance Institute for Business and Home Safety (2004). "Hurricane Charley – Executive Summary." August 13, 2004.
[17] Simmons, Kevin M., Jeffrey Czajkowski, and James M. Done (2018). "Economic Effectiveness of Implementing a Statewide Building Code: The Case of Florida." *Land Economics*, Vol. 94 No. 2.
[18] Czajkowski, Jeffrey, Kevin M. Simmons, and James M. Done (2017). "Demonstrating the Intensive Benefit to the Local Implementation of a Statewide Building Code." *Risk Management and Insurance Review*, Vol. 20, No. 3.

code took effect January 1, 2023, when the 2021 editions of the International Building Code and International Residential Code took effect in Louisiana. IBHS has promulgated a voluntary IBHS Fortified standard designed to reduce costs associated with weather-related losses, ranging from the Fortified Roof standard that only applies to roofs, to the Fortified Silver and Gold standards that extend to windows, doors, and strengthened connections between the roof, walls, and foundation. Roofs were the most frequently damaged house component in the IBHS's 2004 study of Hurricane Charley claims, and roof damage can lead to further damage to a structure as a result of wind and water intrusion.

The state has made various financial incentives available to homeowners who comply with the building code, including:

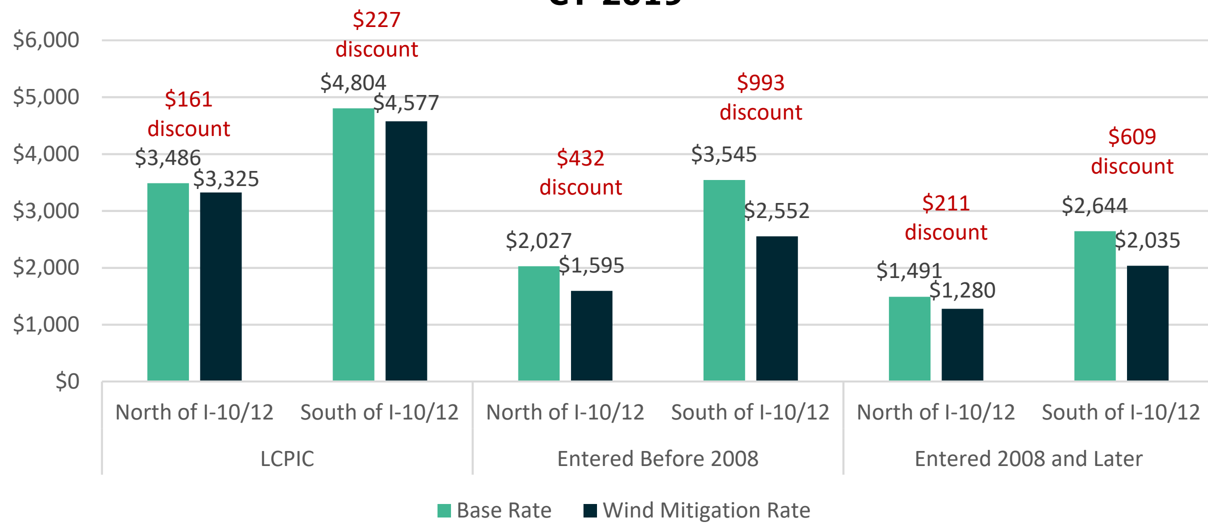
- R.S. 47:293(2)(a)(i) provides a construction code retrofitting deduction from state income tax for up to $5,000 for half of the amount spent, less the value of other state-, municipal-, or federal-sponsored by a homeowner who voluntarily retrofits an existing residential structure, for which the taxpayer claims a homestead exemption. The deduction cannot be taken if the construction is required to conform to the code because it is a new structure or because of damage or destruction to an existing residential structure. The FY 2022 Tax Exemption Budget reports that the revenue loss from this deduction was less than $10,000.

- R.S. 22:1483 permits insurers to offer premium discounts for insureds who build or retrofit a structure to comply with the requirements of the State Uniform Construction Code or the Insurance Institute for Business and Home Safety.

In addition, Act 554 of the 2022 Regular Session created the Louisiana Fortify Homes Program, which authorizes grants of up to $10,000 for homeowners who retrofit roofs to meet the IBHS Fortified Roof standard. However, this program has not yet received funding.

Louisiana insurers offered windstorm mitigation discounts averaging $839 (26.0%) per policy south of the I-10/12 corridor, or $347 (18.7%) per policy north of the corridor. Wind mitigation credits are generally given for construction practices similar to what IBHS requires. For example, one company's rating manual defines wind mitigation measures to include roof shape, roof deck, roof cover, roof deck attachment, roof to wall connection, opening protection, and secondary water resistance. The company's rules for roof deck attachment are comparable to those in the IBHS Fortified Roof standard, although they do not specifically require ring shank nails, as the IBHS Fortified Standard does. Exhibit 9 shows wind mitigation discounts offered by LCPIC and by insurers that entered the state prior to 2008 versus 2008 and later. The wind mitigation discount is typically larger for properties south of I-10/12 in absolute dollar and percentage terms.

Exhibit 9
Homeowners Wind Mitigation Discounts
CY 2019



* Premiums are standardized for a $200,000 house, owner-occupied, 10 years old, brick veneer, 1,800 square feet, $100,000 contents coverage, 2% hurricane deductible, $500 all other peril deductible, clean claims history, 710 credit score, no multiline discount.
Source: Prepared by legislative auditor's staff using data from LDI's homeowners rate comparison tool.

All of the 10 largest private insurers in the Louisiana homeowners market offered discounts for complying with the State Uniform Construction Code or the IBHS Fortified standard. Exhibit 10 shows the top 10 largest private insurers in the Louisiana homeowners market and their building code and IBHS Fortified discounts, along with the typical premium reduction for a $200,000 home that undergoes wind mitigation measures. The overall premium reduction for wind mitigation can be more than the building code discount because of credits for home features like hip roofs, which are not required by the building code but which are associated with lower windstorm damages.

Exhibit 10
Building Code Discounts Offered by Top 10 Homeowners Insurance Carriers
As of December 2022

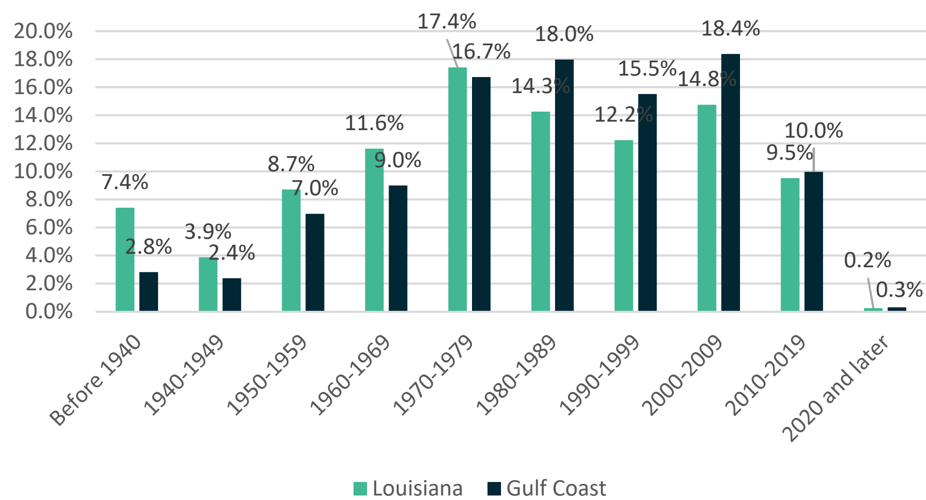
Company	Statewide Uniform Construction Code Discount	IBHS Fortified Discount	Average Premium		Wind Mitigation Discount ($)
			No Mitigation	Wind Mitigation	
State Farm Fire and Casualty Company	No	Yes (varies)	$3,247	$2,603	$644
Progressive Property Insurance Company	Yes (0.85 discount factor)	No	$2,286	$1,865	$421
Louisiana Farm Bureau Mutual Insurance Company	Yes (0.98 discount factor)	Yes (0.95 discount facto)	$4,061	$2,607	$1,454
Allstate Insurance Company	Yes (varies)	No	$3,808	$2,892	$916
United Property & Casualty Insurance Company	Yes (0.85 discount factor)	Yes (0.95 to 0.85 discount factor)	$1,701	$1,338	$363
Allstate Indemnity Company	Yes (varies)	No	$3,381	$2,343	$1,038
Allstate Vehicle and Property Insurance Company	Yes (varies)	No	$2,421	$1,764	$657
United Services Automobile Association	Yes (0.95 discount factor)	Yes (0.55 discount factor)	$2,361	$1,243	$1,118
Southern Fidelity Insurance Company	Yes (0.85 discount factor)	No	$2,610	$2,362	$248
Allied Trust Insurance Company	Yes (.85 discount factor)	Yes (.95 discount factor for Bronze, .9 for Silver, .8 for Gold)	$1,932	$1,679	$253

Note: Premiums are as of CY 2019 and are for properties south of I-10/12 and are standardized for a $200,000 house, owner-occupied, 10 years old, brick veneer, 1,800 square feet, $100,000 contents coverage, 2% hurricane deductible, $500 all other peril deductible, clean claims history, 710 credit score, no multiline discount. The largest 10 insurers were identified based on homeowners premiums written in CY 2021. Discount factors may apply only to the portion of the premium for hurricane, wind, or hail perils.

Source: Prepared by legislative auditor's staff using information from rate filings and LDI's homeowners rate comparison tool.

At least 75.5% of the housing units in the most hurricane-prone regions of Louisiana were built prior to CY 2005 when the state enacted the Statewide Uniform Construction Code, more than the average of 71.4% for the hurricane-prone counties and parishes of all Gulf Coast states. Within counties and parishes in hurricane-exposed, coastal regions,[19] Louisiana's housing stock is older than the average for other Gulf States. Specifically, Louisiana has a higher percentage of housing units built in each decade prior to 1980, and a lower percentage in the decades since. Older homes built prior to 1970 may be better constructed and thus more hurricane resistant than newer ones [as noted in the Fronstin and Holtmann (1994) study], but they may also have experienced more deterioration as a result of normal aging. Exhibit 11 provides a comparison of the decade of construction for Louisiana in comparison to other Gulf Coast states, limited to the Coastal Zone.

Exhibit 11
Percentage of Housing Units Constructed by Decade
CY 2021



***** Parishes/counties in wind hazard areas were identified using the American Society of Civil Engineers' ASCE 7-10 120-mile-per-hour wind zone (see footnote 19 below).
Source: Prepared by legislative auditor's staff using data from the American Community Survey, 2021 5-Year estimates.

The IBHS Fortified designation requires re-certification every five years, and the U.S. Department of Housing and Urban Development estimates that a sloped, asphalt shingle roof has a useful life of approximately 20 years, or 25 years for wood shingles, 50 years for metal, 60 years for clay tiles, or 75 years for slate

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[19] The American Society of Civil Engineers' standard ASCE 7-10, *Minimum Design Loads for Buildings and Other Structures* defines a 120-mile-per-hour wind zone. According to the Federal Emergency Management Agency, 33 Louisiana parishes lie fully or partially within this zone: Acadia, Allen, Ascension, Assumption, Beauregard, Calcasieu, Cameron, East Baton Rouge, Evangeline, Iberia, Iberville, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Orleans, Plaquemines, Pointe Coupee, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Landry, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermillion, Washington, and West Baton Rouge.

shingles. Thus, in the long run 5% of asphalt shingle roofs will need replacing in any given year, even if a hurricane does not occur.

The state could provide a $50 million capital investment to LCPIC, which may enable LCPIC to increase its reinsurance by an estimated $65 to $204 million or provide savings to policyholders. However, this would require amending state law, and market conditions may limit LCPIC's ability to buy more reinsurance or reduce its rates.

State law provides for LCPIC to serve as an insurer of last resort for applicants who are in good faith entitled, but are unable, to procure insurance through the voluntary market. Its rates are statutorily required to be 10% higher than the highest market rate effective in each parish, or the actuarially required rate, whichever is higher. If LCPIC faces a deficit and exhausts all of its reserves, it is authorized to levy assessments on all property insurance premiums received by authorized private insurers operating in the state. R.S. 22:2293(B) specifies that the assets of LCPIC are not part of the state general fund, and that the state shall not budget for or provide general fund appropriations to LCPIC, and that the debts, claims, obligations, and liabilities of the corporation shall not be considered to be a debt or a pledge of its credit. LCPIC management expressed concern that LCPIC's accepting state funds may open the state to assertions that LCPIC's debts, obligations, and claims are part of the state's debt, and that this could open up LCPIC's funds to appropriation by the state. LCPIC is included as a discretely presented component unit in the state's Annual Comprehensive Financial Report because of the nature and significance of its relationship to the state.

> **Retention** is the amount of risk that an insurance company keeps for its own account and does not purchase reinsurance for. It is analogous to a deductible.

R.S. 22:2297(D)(6) requires LCPIC to purchase reinsurance to minimize the likelihood of assessments. LCPIC's reinsurance program generally involves different layers of reinsurance that are triggered when its losses exceed certain thresholds. LCPIC's 2022 reinsurance program involved a retention of all losses up to $50 million. With $134.6 million in policyholder surplus at the close of the third quarter of 2022, LCPIC could absorb up to $50 million in losses and still have $84.6 million in surplus remaining to cover additional expenses not covered by reinsurance. Starting at $50 million, LCPIC had 12 additional layers of reinsurance, covering up to $1.2 billion in losses. This originally was the probable maximum loss

(PML)[20] for a 263-year return period based on LCPIC's anticipated size of $16.4 billion in total insured value (TIV). However, LCPIC grew rapidly during 2022, and LCPIC management reported that, by September of 2022, this $1.2 billion PML only corresponded to a 66-year return period. This means that the estimated probability of LCPIC's losses exceeding its reinsurance protection increased from 0.4% to 1.5%. As a result of LCPIC's growth, LCPIC costs for reinsurance increased from $168 million to $242 million.

LCPIC's net costs of reinsurance[21] increased from 0.36% of TIV in LCPIC's rate filing effective June 2021 to 1.04% of TIV for LCPIC's rate filing effective January 2023, a 188.5% increase. According to the reinsurance brokerage firm Guy Carpenter, property catastrophe reinsurance prices for the U.S. as a whole increased 14.8% from 2021 to 2022, the largest percentage increase since 2006, but the brokerage noted in a commentary that some markets saw no price increases or even price decreases, while some specific regions saw pronounced increases, driven by successive years of losses, deterioration in performance, and changing perceptions of risk.[22] LCPIC could see a reduction in costs in future years if the nationwide reinsurance market improves as a result of macroeconomic factors that drive reinsurance prices, such as inflation, stock market performance, and interest rates. However, the impact of changing perceptions of risk from reinsurers could persist even as macroeconomic factors improve.

LCPIC's reinsurance cost would have been even higher if it had maintained the 302-year return period coverage that applied to its June 2021 rate filing instead of decreasing to a 263-year coverage for its January 2023 rate filing. Decreasing the amount of reinsurance coverage reduced LCPIC's rates for policyholders in parishes where actuarial rates exceed market rates, but it incrementally increased the likelihood and magnitude of assessments that would be required on policyholders across the state in the event of a major disaster.

In this section, we consider three possible scenarios for LCPIC's reinsurance program and how these could potentially impact policyholders in LCPIC and across the state:

[20] Probable maximum loss (PML) refers to the dollar amount of losses that would occur with a given probability (measured in percentage terms) or in a given return period (measured in years). For example, if an insurer's PML for a 50-year return period is $75 million, this means that there is a 2% chance (1-in-50) that the company's losses in any given year would be greater than $75 million, or a 98% chance that losses would be less than $75 million. Insurers utilize catastrophe models to estimate PMLs.

[21] Net cost of reinsurance is a component of LCPIC's rate filing and includes the total cost of each reinsurance layer, including reinstatement costs, minus expected recoveries, minus revenue sharing with LCPIC's brokerage.

[22] "Latest Reinsurance Renewal Commentary from Guy Carpenter." Accessed January 23, 2023. https://www.artemis.bm/regional-property-cat-rate-on-line-index/

- Scenario 1, baseline:
  - No state appropriation to LCPIC.
  - LCPIC maintains its 15-year retention and 100-year exhaust point for its reinsurance program.

- Scenario 2, higher retention, same exhaust:
  - The state appropriates $50 million to LCPIC.
  - LCPIC increases its retention from 15-year to 18-year return period.
  - LCPIC uses the resulting savings to build up its surplus and provide rate reductions for policyholders in parishes where rates are determined actuarially.

- Scenario 3, higher retention, higher exhaust:
  - The state appropriates $50 million to LCPIC.
  - LCPIC increases its retention from 15-year to 18-year return period.
  - LCPIC uses the resulting savings to increase its exhaust from 100-year to 105-year return period.

LCPIC management reported that the reinsurance program approved by its board for CY 2023 anticipates spending $268 million for a $200 million PML retention (corresponding to a 15-year return period), up to a $1.7 billion exhaust point (corresponding to 100-year return period). The numbers contained in this section are our own estimates based on information contained in LCPIC's rate filing and materials provided by LCPIC. Changes in the economy generally or in reinsurance markets specifically, LCPIC's finances, or limitations inherent in the catastrophe models used to create PML scenarios could impact our estimates. LCPIC management stated that the capacity of the reinsurance market is limited, and that it might not be able to buy reinsurance above the 100-year level because of lack of availability. Our analysis is intended to provide a better understanding of LCPIC's reinsurance program to aid in legislative decision-making.

Providing a capital investment of $50 million to LCPIC could enable it to increase its retention by $50 million and avoid spending $13 to $19 million per year on reinsurance for its losses from $200 to $250 million. LCPIC could use these savings to increase its reinsurance coverage at the high end by $65 to $204 million. Exhibit 12 illustrates different scenarios for LCPIC's reinsurance tower based on a capital contribution of $50 million, based on an average scenario. The lowest portion of each bar, shaded in purple, is the retention. This is the portion of LCPIC's losses that are not covered by reinsurance and that LCPIC must pay for out of its surplus. The first scenario shows LCPIC's retention under its current reinsurance program, with a $200 million retention, reflecting a 15-year PML. In the second and third scenarios, the state provides a capital contribution of $50 million to LCPIC, which LCPIC uses to increase its retention to $250 million. The difference between the second and third scenarios is in the upper limit, or exhaust point, of LCPIC's reinsurance coverage. In scenario 2, this exhaust point remains at $1.7 billion, the same as in scenario 1, while in scenario 3, this upper limit increases to $1.8 billion. The impact of increasing the exhaust point of LCPIC's reinsurance coverage is that LCPIC's reinsurance provides coverage for up to a 105-year loss event instead of a 100-year loss event. This additional $110 million in coverage would cost LCPIC an estimated $13 to $19 million. However, this change would have no impact on LCPIC's net cost of reinsurance, so rates would remain unchanged.

Exhibit 12
Capital Contribution and LCPIC's Reinsurance Program
Based on LCPIC's Budgeted Reinsurance Program for CY 2023

Source: Prepared by legislative auditor's staff using information from LCPIC's rate filings.

LCPIC could continue to see savings from increasing its retention from the 15-year to 18-year level until at least a 15-year PML event occurred. A storm causing sufficient damage to reach the 15-year PML level will occur, on average, once every 15 years, and has a 50% chance of occurring within 10 years. After 10 years, LCPIC would have saved an estimated $161 million from not paying for the 15-year to 18-year reinsurance coverage. In scenario 2 with a higher retention but the same upper limit, LCPIC would have been able to reduce its net cost of reinsurance by $128 million over this ten-year period. LCPIC's personal lines rate filing effective January 2023 included the net cost of reinsurance (NCR) as a factor in calculating the actuarial rate in each parish. Decreasing the net cost of reinsurance would reduce the actuarially indicated rates. In parishes where the actuarial rate is higher than the highest market rate, this would result in a decrease in premiums. Market rates can change from year to year, but LCPIC's most recent rate filing suggests that a $128 million reduction in NCR over a 10-year period would translate into a 1.3% rate reduction, or $69 million in savings to its personal lines policyholders. Since the total decrease in reinsurance costs would be $161 million, and the remaining $92 million would accumulate as surplus. LCPIC would need to go 3.1 years without a 15-year loss event before they would have saved enough money to make up for the decrease in reinsurance recoveries from not having the additional layer of reinsurance. These estimates could change, however, as subsequent events affect reinsurance markets and LCPIC's level of exposure. Additional surplus dollars would help LCPIC in the long run to avoid needing reinsurance for relatively high-probability loss events and would reduce the likelihood and magnitude of assessments required in low-probability events. Exhibit 13 provides additional estimates on the impact of a capital contribution on LCPIC.

Exhibit 13
Estimated Effect of Capital Contribution to LCPIC
Based on LCPIC's Budgeted Reinsurance Program for CY 2023

Scenario	(1) Baseline	(2) Capital Contribution - Savings to Policyholders	(3) Capital Contribution - More Reinsurance
State Investment	$0	$50 million	$50 million
Cost of Reinsurance	$268 million	$252 million	$266 million
Annual Savings to LCPIC	0	$16 million	$2 million
Annual Reduction in Premiums (Personal Lines Only)	$0	$6.9 million	$0
Reinsurance Attach Point (Years)	15.0	18.4	18.4
Reinsurance Retention (Dollars)	$200 million	$250 million	$250 million
Reinsurance Exhaust Point (Years)	100	100	105.5
Reinsurance Exhaust Point (Dollars)	$1,700 million	$1,700 million	$1,810 million
Years to Recover State Cost	n.a.	3.1	22.4

Note: Years to recover state cost is the state investment divided by the annual savings to LCPIC. The annual savings to LCPIC are the reduction in the cost of reinsurance compared to Scenario 1.
Source: Prepared by legislative auditor's staff using data from LCPIC's rate filings.

APPENDIX A: MANAGEMENT'S RESPONSE

LOUISIANA DEPARTMENT OF INSURANCE
JAMES J. DONELON
COMMISSIONER

January 29, 2023

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

Re: Louisiana Legislative Auditor Informational Report
Property Insurance Affordability

Dear Mr. Waguespack:

Thank you for the opportunity to respond to the informational report of the Louisiana Department of Insurance ("LDI") titled *Property Insurance Affordability*. Due to the short timeframe for a response and your office not following its usual and customary practices for issuance of a report, our comments will be limited to the Insure Louisiana Incentive Program.

We believe your report misleads the reader to conclude that the incentive program implemented after Hurricanes Katrina and Rita was not successful and that funding the current incentive program is not the most effective use of state general fund dollars in addressing our homeowners insurance crisis. We disagree based on the following reasons:

1. The post-Katrina program participants generated approximately $753 million in premiums written, which was $173 million more than required. The program's success demonstrated to other insurers that Louisiana's residential property market was a viable destination to do business, attracted new companies to the state and created savings for policyholders through competition.
2. Louisiana Citizens Property Insurance Corporation (LCPIC) experienced a very successful depopulation during 2008 with almost 40,000 policies being assumed by the private market. Four of the five companies participating in take-out in 2008 were incentive companies. The reason we suggest immediately funding the incentive program is to provide financial relief to policyholders, many of whom face being priced out of their homes or subjecting themselves to financial hardship in order to pay their monthly note.
3. The report's finding (see page 3) that "the private insurance market can likely meet most of the demand for property insurance... even if incentives are not available" is severely misleading. The LCPIC book of business has ballooned to 125,000 policies since the 2020 hurricane season. The private market is not writing a significant number of new policies in south Louisiana, and there is no reason to anticipate new or existing insurers will do so in the near future unless the program is funded. There is no alternative solution to this immediate problem.

4. The report fails to properly recognize the significance of the lack of reinsurance market capacity, which is vital to understanding the context of our ongoing crisis. The only mention of this (see page 20) says "LCPIC management stated that the capacity of the reinsurance market is limited, ... because of a lack of availability." Reinsurance market capacity is severely limited due to the stress on the global insurance and reinsurance system from a number of natural and man-made catastrophes in the last several years. It is further exacerbated by inflationary pressures that increase demand for insurance and reinsurance and by higher interest rates that draw capital from reinsurance markets to other investments.
5. The information finding an average of 64.5 companies entering the state (see page 6) and a total of 123 newly entered companies (see footnote 8) is incorrect. As previously identified, many of the 123 companies were already licensed in Louisiana and were not new to our state. Therefore, Exhibit 3 and other attempts to compare premiums written by program participants to non-participants based on those figures are misleading and/or inaccurate. There are additional concerns with this statement:
    a. The premium written by these companies included commercial premium whereas a majority of the incentive program covered residential property.
    b. There is no indication of where these policies were written. The grant program required premiums to be written in the GO ZONE parishes and out of Citizens.
    c. Some of these companies belonged to larger groups, and the policies were simply transferred from another company within the group.
6. Giving $50 million (see page 4) to LCPIC is a stop gap fix at best and will provide no meaningful relief to its policyholders. Exhibit 8 on page 12 shows significant savings to individual LCPIC policyholders if they were depopulated from LCPIC and into the private market. One of the incentive program goals is to depopulate LCPIC quickly as was done back in 2008.
7. The purpose of the request to fund the incentive program during the current special session is to address the ongoing crisis of unavailability and unaffordability of property insurance. The LDI proposed and fully supported the Louisiana Fortify Homes Program, and we look forward to working to fund it during the 2023 Regular Session. The Fortify Homes Program, however, will do nothing to address the current crisis. It is a necessary, longer-term solution for bringing down rates several years down the road.

We appreciate your staff's professionalism during the audit process. Should you have any questions, please do not hesitate to contact me.

Sincerely,

S. Denise Gardner

S. Denise Gardner
Chief of Staff

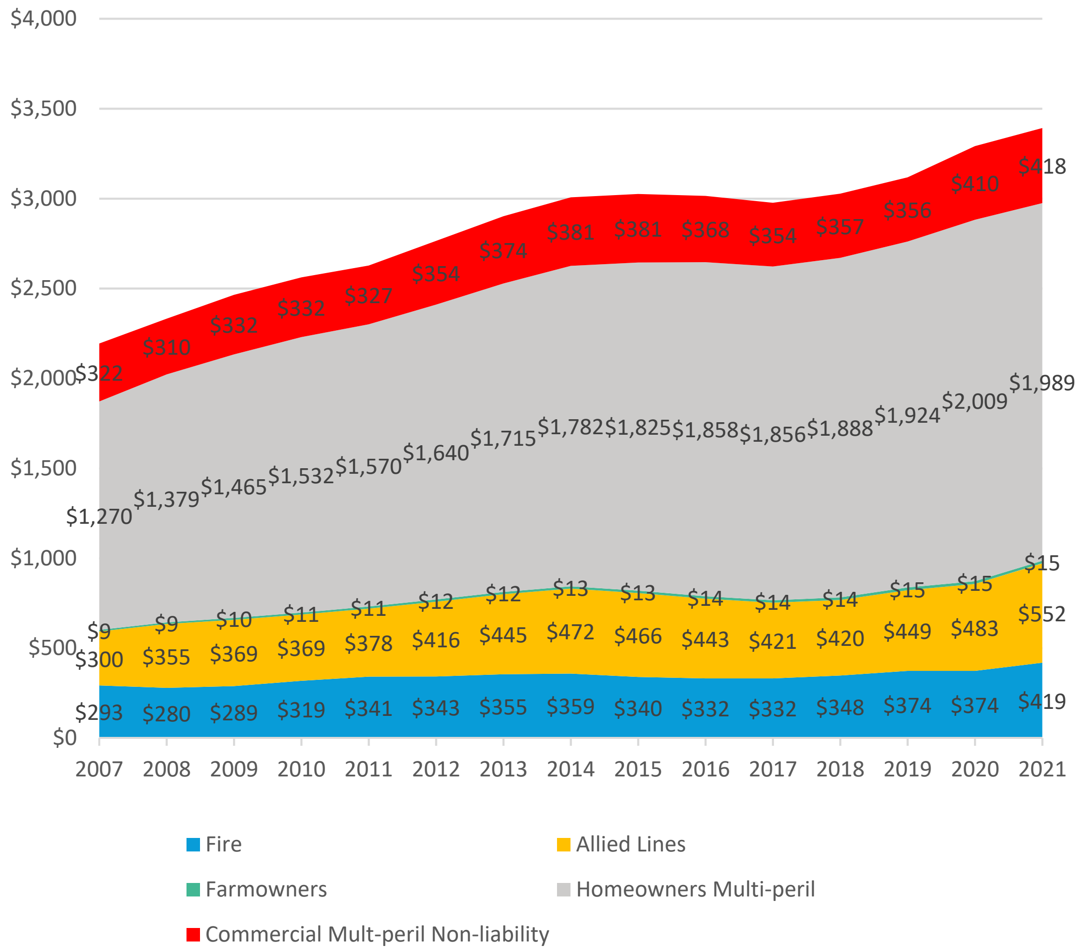
APPENDIX B: OVERVIEW OF INSURANCE LINES

Exhibit B.1
Description of Insurance Lines and Premium Volume in CY 2021

Fire	• Coverage protecting the insured against the loss to real or personal property from damage caused by the peril of fire or lightning, including business interruption, loss of rents, etc.
Allied Lines	• Coverages which are generally written with property insurance, e.g., glass, tornado, windstorm and hail; sprinkler and water damage; explosion, riot, and civil commotion; growing crops; flood; rain; and damage from aircraft and vehicle, etc.
Farmowners	• Insurance sold for personal, family or household purposes. This package policy is similar to a homeowners policy, in that it has been developed for farms and ranches and includes both property and liability coverage for personal and business losses. Coverage includes farm dwellings and their contents, barns, stables, other farm structures and farm inland marine, such as mobile equipment and livestock.
Homeowners	• A package policy combining real and personal property coverage with personal liability coverage. Coverage applicable to the dwelling, appurtenant structures, unscheduled personal property and additional living expense are typical. Includes mobile homes at a fixed location.
Commercial Multi-peril	• Policy that packages two or more insurance coverages protecting an enterprise from various property and liability risk exposures. Frequently includes fire, allied lines, various other coverages (e.g., difference in conditions) and liability coverage. Such coverages would be included in other annual statement lines, if written individually. Include under this type of insurance multi-peril policies (other than farmowners, homeowners and automobile policies) that include coverage for liability other than auto.

Source: Prepared by legislative auditor's staff using information from the National Association of Insurance Commissioners Consumer Glossary.

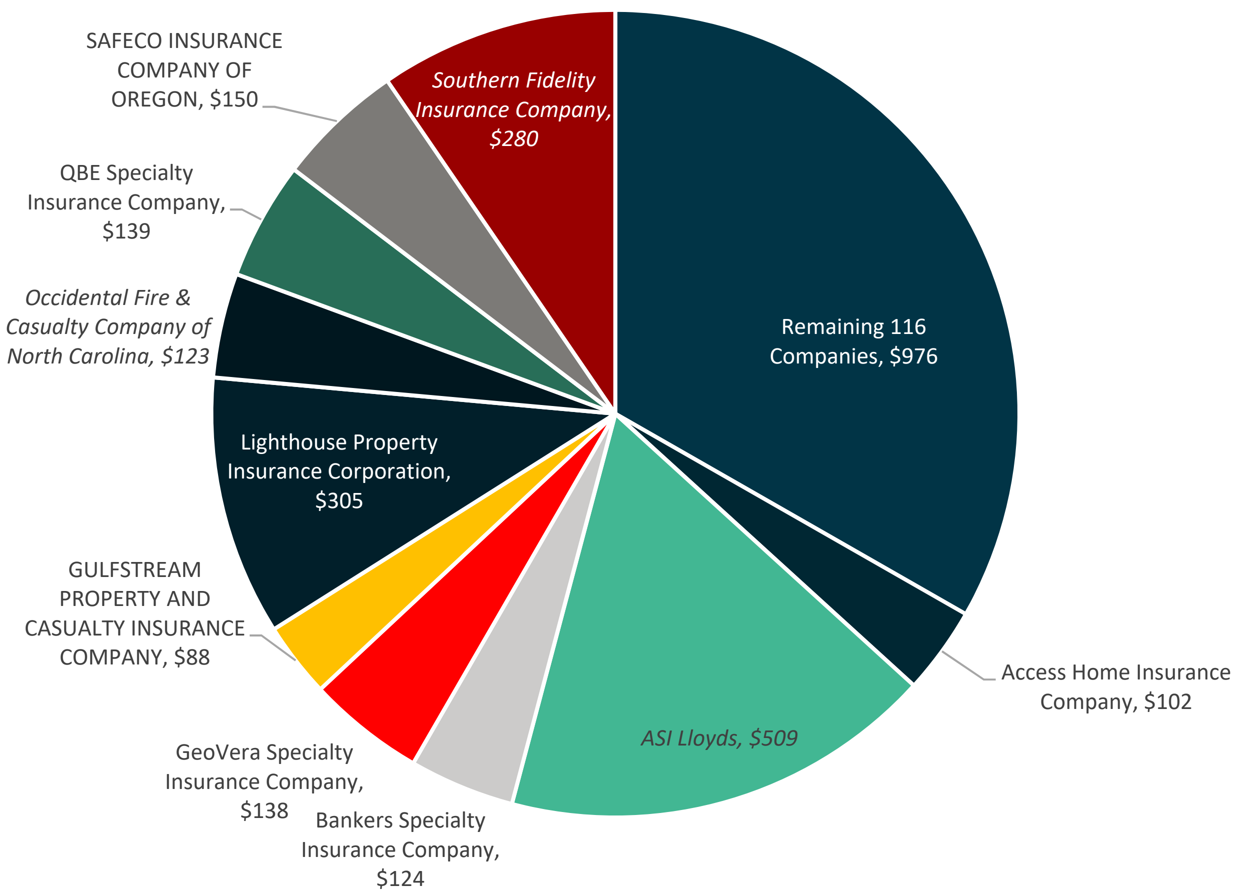
Exhibit B.2
Property Insurance Premiums by Line of Coverage
Calendar Years 2007 through 2021



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

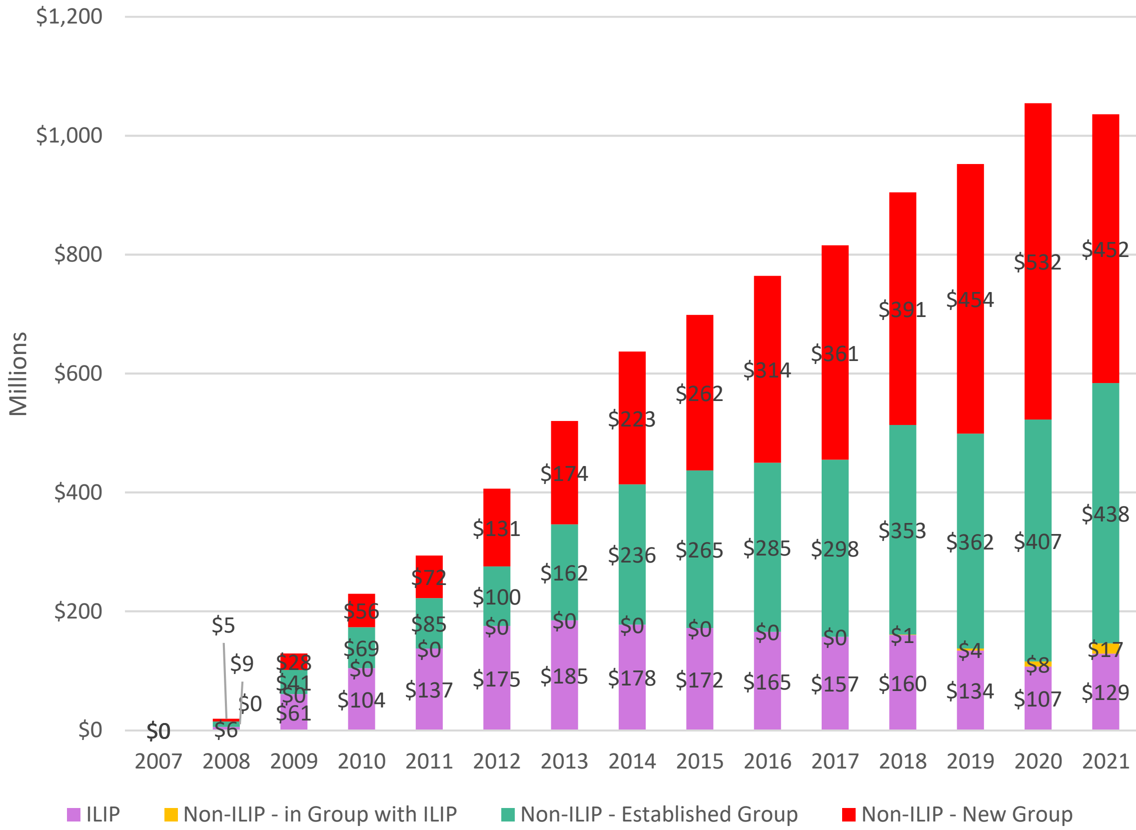
APPENDIX C: STATISTICS ON COMPANIES ENTERING LOUISIANA DURING AND AFTER CY 2008

Exhibit C.1
Size Distribution of New Companies Entering Louisiana During and After CY 2008
Direct Premiums Earned in Millions of Dollars
CYs 2008-2015



Source: Prepared by legislative auditor's staff using information from LDI's Regulated Management System.

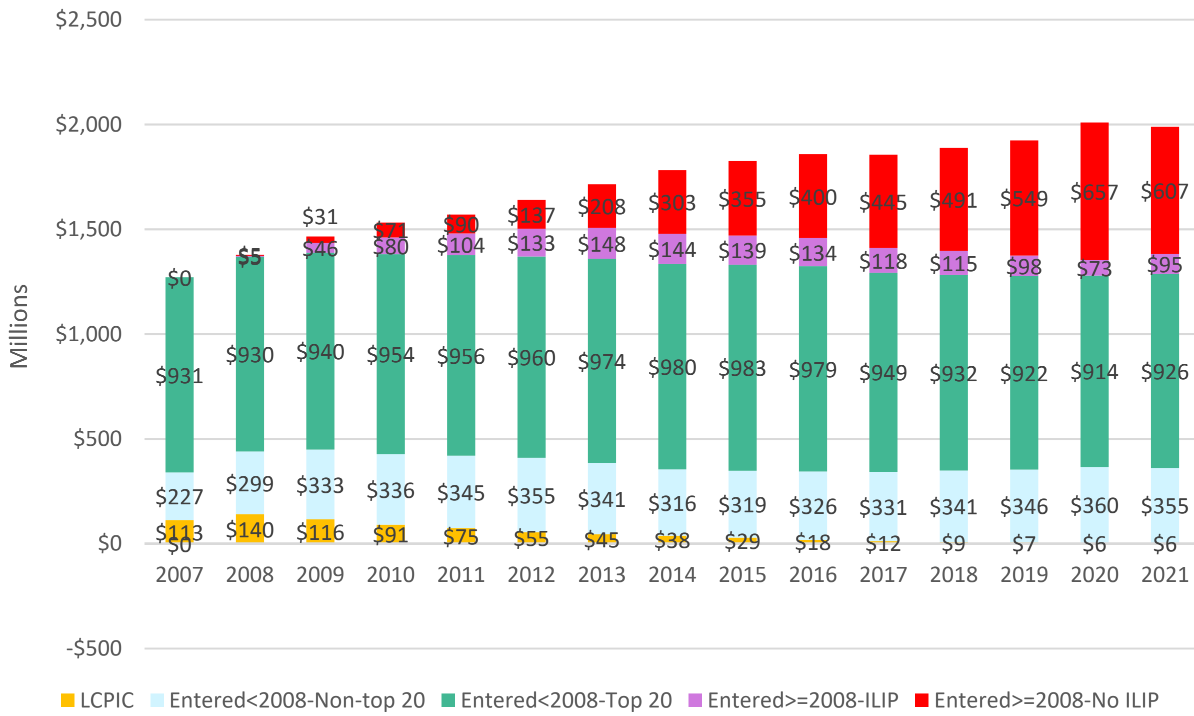
Exhibit C.2
New Companies' Earned Premiums by Group
CYs 2007 through 2021



Source: Prepared by legislative auditor's staff using information from LDI's Regulated Management System.

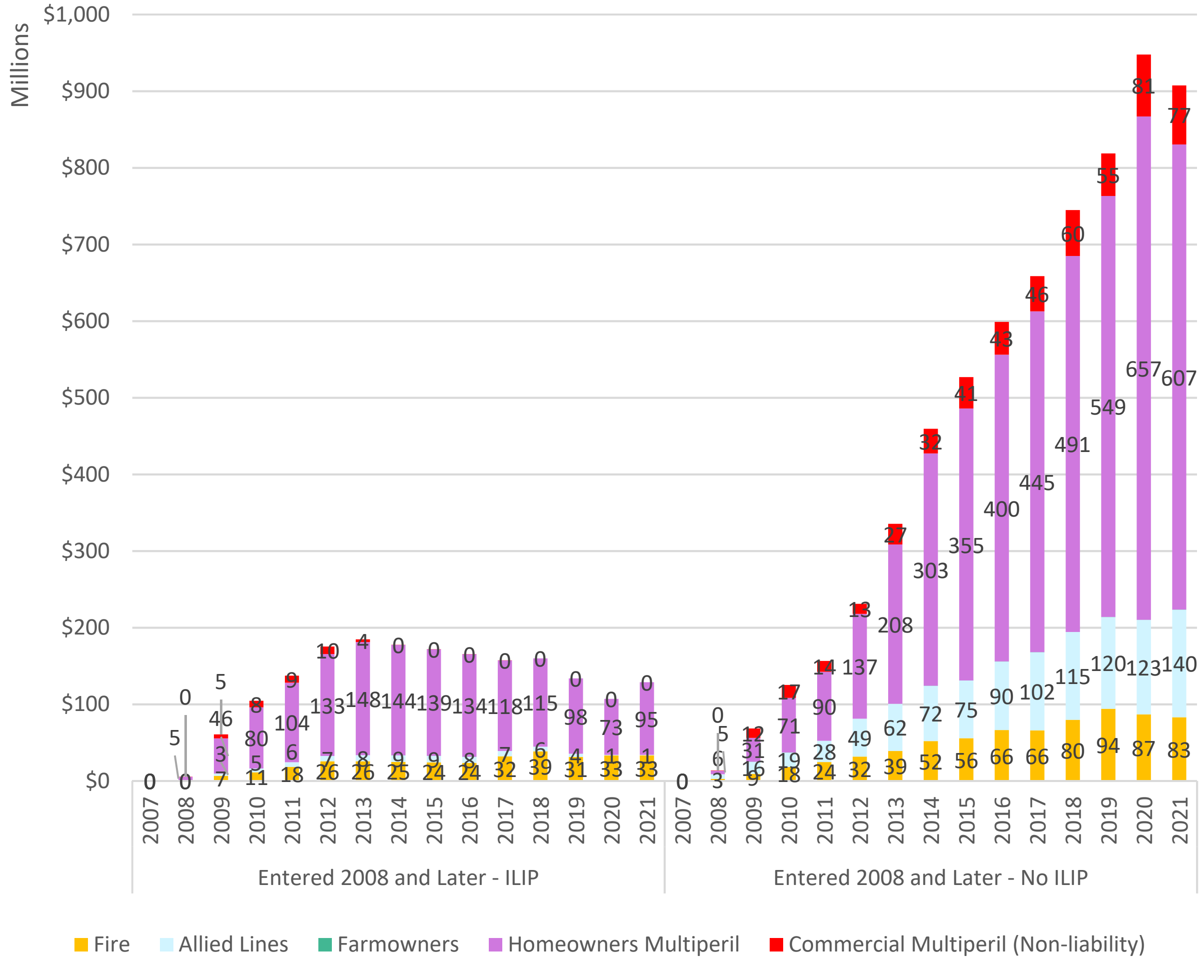
APPENDIX D: PREMIUMS BY LINE OF COVERAGE

Exhibit D.1
Direct Premiums Earned by Insurer Category
Homeowners Multi-Peril
CYs 2007 through 2021



Source: Prepared by legislative auditor's staff using data from LDI's Regulated Management System.

Exhibit D.2
New Companies' Earned Premiums by Line of Coverage
CYs 2007 through 2021



Source: Prepared by legislative auditor's staff using information from LDI's Regulated Management System.