*Welcome to LLA Reports, a podcast produced by the Louisiana Legislative Auditor’s office. This podcast is intended to be an oral representation of the written report it highlights and is primarily for the use of the Louisiana Legislature.*

This is Chris Magee. I’m the data analytics manager for LLA’s Performance Audit Services.

This episode of LLA Reports focuses on our new report titled “Regulation of Residential Property Insurance.”

The purpose of this audit was to evaluate the Louisiana Department of Insurance’s – or LDI’s – regulatory activities to make sure insurance companies comply with laws and handle claims in a fair and timely manner.

Overall, we found that LDI has the procedures and practices in place to ensure that insurance companies follow the law and handle claims fairly and in a timely fashion.

Those regulatory activities include licensing most adjusters, investigating insurance-related complaints, monitoring insurance companies and individuals for violations of Louisiana’s insurance code, and issuing regulatory actions against insurance companies and individuals who violate the insurance code.

However, we also identified ways LDI could strengthen these activities, as well as a revision to the insurance code that the Legislature may wish to consider.

We found that most adjusters for the 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 before the 2020 and 2021 hurricanes, no qualification requirements were in place for an individual to act as a catastrophe adjuster.

Louisiana has since implemented new requirements for catastrophe adjusters, but LDI could do more to ensure they are qualified by gathering information to determine whether they are licensed by another state.

We also found that most complaints LDI received related to the 2020 and 2021 hurricanes dealt with claims handling issues.

While LDI exceeded its goal of completing 70 percent of complaint investigations within 42 days during calendar years 2017 through 2019, that percentage fell to 55.9 percent with the influx of hurricane-related complaints in 2020 and 2021.

In addition, LDI did not always report accurate information related to complaints, including the outcome of investigations and the amount recovered. For example, LDI incorrectly calculated recovered funds by at least $22.6 million dollars for complaints related to the 2020 and 2021 hurricanes.

We also found that LDI conducted activities to monitor the market conduct of insurance companies as required by state law and best practices, and plans to implement new procedures to identify claims handling issues.

LDI could further enhance its monitoring by conducting additional market conduct investigations focused on claims handling. In addition, state law could be revised to include more time frame requirements related to claims handling.

LDI performed 196 market conduct investigations covering all lines of insurance during calendar years 2019 through 2021. Of the 196 investigations, 56 – or 28.6 percent – were related to homeowners insurance companies and included issues with business practices and claims handling.

We found 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 – or 60 percent – of 25 regulatory actions against insurance companies were related to administrative issues such as failing to maintain records, failing to file required information in a timely manner, and using unapproved forms.

In addition, 1,663 – or 87.4 percent – of the 1,902 regulatory actions against adjusters were related to inaccurate addresses.

As a result of our audit, we developed five recommendations and one matter for legislative consideration.

We recommended LDI obtain additional information about catastrophe adjusters upon registration to determine their licensure status and use this information to determine whether additional requirements, such as licensure of all catastrophe adjusters, should be adopted.

We also recommended LDI track the re-opening and re-closing of complaints to ensure its metrics related to completing complaint investigation are accurate, and resume its quality assurance processes to ensure accurate reporting of complaint information.

In addition, we recommended LDI improve its processes for determining overall favorability for complaints to ensure the information provided to the legislature and public is accurate.

Finally, we recommended LDI perform additional market conduct investigations focused on claims handling.

We also suggested the legislature consider additional time frame requirements for claims handling to encourage more timely claims handling and to allow LDI to more objectively monitor companies’ claims handling practices.

As part of its response, which is included in the report as Appendix A, LDI agreed with all five of our recommendations.

*We hope you found this podcast informative, and that you’ll follow future episodes of LLA Reports.*

*This podcast was created as part of the audit report just discussed and is intended primarily for the use of the Louisiana Legislature. Both the full report and the podcast can be found on the LLA’s website at* [*www.lla.la.gov*](http://www.lla.la.gov)*.*

*Thank you for listening.*