

State of Insurance 10 Years Post Hurricanes Katrina and Rita

I am amazed by the stunning progress we have made in the ten years since Hurricane Katrina. Our citizenry is revitalized, our tourism industry is booming and our real estate market is going strong. As Insurance Commissioner, I am equally proud of the way our homeowners insurance market has not only rebounded but flourished in the decade since the costliest natural disaster in American history.

Today, to understand how far we've come, we must take a look at where we were just ten years ago. Hurricane Katrina caused more than \$25 billion in insured losses resulting from more than 725,000 claims in Louisiana. Following Hurricane Rita, insurers paid out \$3.4 billion more in insured losses resulting from more than 200,000 claims. These are staggering payouts that would scare off insurers with even the deepest of pockets as is evidenced by the retreat of many of the larger companies from areas all along the Gulf and Atlantic Coasts following the storms.

But what is most interesting is what transpired afterward. As those larger companies reduced their coastal exposure, we saw a new breed of company move in. Although these smaller, regional companies may not be household names – they are financially sound, reputable insurers that are writing policies for homeowners and businesses across our state backed by the international reinsurance market. The Legislature also passed legislation tripling the safety net of the Louisiana Insurance Guaranty Association by increasing the coverage provided homeowners from \$150,000 to \$500,000 per claim, allowing for consumers to be confident when purchasing coverage from a company that is not a household name.

Today Louisiana has 22 new insurers operating that were not here in 2005, giving homeowners a broader range of options. This is the result of active recruitment of companies not previously writing in Louisiana coupled with the passage of a statewide building code, as well as strategies such as the Citizens Property Insurance Depopulation program.

As you would expect, Citizens saw a significant rise in its size in the aftermath of Hurricanes Katrina and Rita. Its overall policy count spiked to 174,000 in 2008, ranking it the third largest homeowners group in Louisiana at that time. The Depopulation Program has afforded traditional companies the opportunity to assume Citizens policies and today Citizens' policy count has been slashed by 50 percent to below 88,000 policies. That is fewer than Citizens' book of 105,000 policies in 2004. By the end of 2014, Citizens had dropped to the state's ninth largest insurer, having reduced its share of the market from 9.8 percent to 1.9 percent.

This trend also places Louisiana on the national stage as a model for insurance market recovery. As recognized in a national Insurance Journal article titled, *In Louisiana, Private Insurers Come Marching in*, "[W]hile similar state-run insurance entities in Florida and Texas continue to grow at unsustainable paces, Louisiana Citizens Property Insurance Corp. has managed to reduce its policy count...Now, if only Texas and Florida would follow Louisiana's lead." Since then, Florida has undertaken an aggressive depopulation program as well.

The successes we've had are due in no small part to the grassroots efforts of many including the Coalition to Insure Louisiana, comprised of professional and consumer organizations dedicated to maintaining the availability and affordability of insurance, which lobbied vigorously for a private sector recovery. Then Governor Blanco and the Legislature created the Insure Louisiana Incentive Program which attracted private insurers to come write coverage in Louisiana and adopted our first statewide building code which also encouraged insurers to write policies in coastal areas.

The additional competition within Louisiana's property and casualty markets following the largest insured loss event the U.S. has ever seen has brought stability to our property insurance marketplace. The increased competition we are currently experiencing is a win-win scenario for all Louisiana property owners.

Note: For more information and statistics on the insurance market recovery, please visit www.lidi.la.gov/katrinasummit.