

Commissioner's Column – November 2015

Louisiana Citizens Depopulation Update

Louisiana Citizens Property Insurance Corporation (Citizens) has completed its 9th round of Depopulation, a process that has taken place since 2008 to divest the insurer of last resort of policies that would be better placed in the private insurance market. In November, Citizens opened its book of business to private insurers in a move that dropped total policy count below 70,000 residential and 3,500 commercial policies. The insurer of last resort divested itself of 13,245 policies.

The reduction in policies is predicted to drop Citizens homeowners' market share to an estimated 1.5 percent, ranking it 12th in market share size in Louisiana. Citizens' market share peaked at 9.8 percent in 2008. Over the eight rounds of the Citizens Depopulation Program, Citizens has reduced its overall policy count by 60 percent from an all-time high of 174,000 policies in 2008.

State law requires Citizens to allow private insurers to assume policies in order to help return policies to the private market and to lower the risk of assessment for Louisiana policyholders. Since Citizens is required to have the highest price in the state for property insurance policies, those policies selected for depopulation will necessarily have a lower premium. Policyholders are informed of the change in their insurance providers by both companies and are able to elect to stay with Citizens or to shop for other alternatives if they wish. Agents are essential in this process, educating policyholders on their options and assisting them in making the best selection when they are able to shop on the open market.

The following seven companies are participating in the depopulation program in 2015: Access Home Insurance Company, Capitol Preferred Insurance Company, Coastal Select Insurance Company, Maison Insurance Company, Ocean Harbor Casualty Insurance Company, Prepared Insurance Company, and Safepoint Insurance Company. Ocean Harbor, Prepared and Safepoint are new this year to Louisiana. The other four companies previously participated in the Citizens depopulation process. All seven companies will offer competitive rates compared to Citizens. A total of 52,597 unique policies were requested this year and 13,245 were authorized for removal to private companies.

November 16 was the deadline for agents to authorize policies to be moved from Citizens to the requesting company. Access Home Insurance Co. requested 12,210 policies and 2,693 policies were authorized. Capitol Preferred Insurance Co. requested 20,184 policies and 1,152 policies were authorized. Coastal Select Insurance requested 252 policies and 72 policies were authorized. Maison Insurance Co. requested 12,915 policies and 2,193 policies were authorized. Ocean Harbor Casualty Insurance Co. requested 28,064 policies and 5,231 policies were authorized. Prepared Insurance Co. requested 2,799 policies and 79 policies were authorized. Safepoint Insurance Co. requested 21,833 policies and 1,825 policies were authorized.

Insurance agents play a critical role in the process of moving policies from Citizens to the Depopulation Program companies. Independent agents authorized 5,674 policies, or 28 percent of their requested policies. State Farm agents authorized 2,058 policies or 18 percent of their requested policies. Allstate agents authorized 2,843 policies, which is 23 percent of their requested policies. Farm Bureau agents authorized 2,670 policies or 31 percent of their requested policies.

In the eight previous rounds of depopulation, Citizens saw the following reductions in policy counts: round one – 26,595 policies on June 1, 2008; round two – 13,343 policies on December 1, 2008; round

three – 3,368 policies on April 1, 2009; round four – 13,466 policies on December 1, 2010; round five – 10,890 policies on December 1, 2011; round six – 6,877 policies on December 1, 2012; round seven – 14,268 policies on December 1, 2013; and round eight – 10,739 policies on December 1, 2014.

Through its property insurance policies Citizens fulfills its charge of providing homeowner insurance to consumers who would otherwise not be able to access coverage for their property. The depopulation program is a continuation of this effort to move policies that can be borne by the private market back into it, so that policyholders can be the recipients of greater competition and affordability while the rest of us see a reduced risk of future assessments. The latest successful round of depopulation points to an ever strengthening Louisiana homeowners' insurance market and a better prepared state for the future. Through the work of the participating insurance companies, interested agents and the Citizens staff, the work of the depopulation program has been successful for another year.