

Commissioner's Column

November 2013

Citizens Depopulation Sees Highest Percentage of Policies

Transferred to Private Sector in Five Years

I am pleased to report that following the latest round of depopulation, Louisiana Citizens Property Insurance Corporation's (Citizens) total policy count is dropping below 95,000 personal and commercial policies. Citizens homeowners market share is predicted to drop to an estimated 2.7 percent, ranking it ninth in market share size in Louisiana at year's end. This is down from 3.0 percent at the close of 2012 and down from 9.8 percent at its highest in September 2008. Nearly 14 percent of Citizens' policies were authorized for take out on December 1, 2013.

Citizens reports 14,268 residential (personal lines) policies are being transferred to the private insurance market through three companies. Citizens policy count will drop to below 90,000 residential policies and to approximately 93,000 total policies, including commercial. Citizens overall policy count will now reduce by 51 percent from an all-time high of 174,000 policies in February 2008, resulting from Hurricanes Katrina and Rita. Those whose policies are transferred to the private insurance market will benefit by having lower rates since as the insurer of last resort Citizens' rates are required by law to be the highest in each parish.

This success in the Citizens Depopulation Program indicates ongoing and significant improvement in the recovery of the Louisiana property insurance market post Katrina-Rita in 2005. Louisiana continues to have 18 new carrier groups in the state after Hurricanes Katrina and Rita, giving homeowners a broader range of options for insurance. The Citizens Depopulation Program has utilized 12 of those companies writing in our homeowners market. Not only do Citizens' policyholders benefit from depopulation, but also all Louisiana property owners profit since it reduces the need for future assessments charged to property insurance consumers in the event of another Katrina-level event.

The three companies successfully making offers to write homeowners policies currently written by Citizens are Access Home Insurance Co., Maison Insurance Co. and Lighthouse Property Insurance Corp. All three companies have previously participated in Citizens' depopulation process and are familiar with property and casualty insurance agents across the state. They also generally offer the same coverage as Citizens or better coverage and for a lower rate. Altogether, 40,419 unique policies were requested by these companies and 14,268 policies were authorized to be moved, giving a 35.3 percent authorization rate of total policies requested.

Access Home Insurance Co. requested 22,382 policies and 9,682 policies were authorized. Maison Insurance Co. requested 21,929 policies and 3,869 policies were authorized. Lighthouse Property Insurance Corp. requested 10,033 policies and 717 policies were authorized.

Insurance agents are critical in the process of moving policies from Citizens to the Depopulation Program companies. Independent agents authorized 3,598 policies, or 41.3 percent of their requested policies. Farm Bureau agents authorized 3,090 policies or 38.5 percent of their requested policies. Allstate agents authorized 5,000 policies, which is 38.1 percent of their requested policies. State Farm agents authorized 2,580 policies or 24.5 percent of their requested policies.

Citizens' policyholders who authorized their policies moved to another company have 60 days to decide whether they prefer to remain with Citizens beginning on the assumption date of December 1, 2013. In prior rounds, typically less than two percent of Citizens policyholders opted out and chose to remain with Citizens.

In the six previous rounds of Citizens 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 and round six - 6,877 policies on December 1, 2012.

Results from this Citizens' seventh depopulation efforts are truly impressive. I offer many thanks to the three participating insurance companies this year, to the numerous insurance agents who assisted in moving those policies out of Citizens and to the Citizens staff who worked diligently to make this program a success.