

Commissioner's Column

November 2014

Citizens Total Policy Count Reduced by 50 Percent from 2008 Peak Through Depopulation Program

Louisiana Citizens Property Insurance Corporation (Citizens) is just completing the eighth round of its Depopulation Program in which it opens its books of business and offers its policies to the voluntary market. Citizens is once again seeing great success from its efforts with the total policy count dropping below 88,000 personal and commercial policies. This represents a reduction in policy count by 50 percent from the record high of 174,000 policies in February 2008.

Citizens' homeowners market share is predicted to drop to an estimated 1.8 percent, ranking it ninth in market share size in Louisiana at year's end. This is down from 2.3 percent at the close of 2013 and down from its 9.8 percent peak in 2008. Nearly 11 percent of Citizens' current policies were authorized for take out on December 1, 2014. This year five companies will assume 10,739 residential (personal lines) policies, dropping the policy count to below 84,000 residential policies and to approximately 4,000 commercial policies.

Since Hurricanes Katrina and Rita in 2005, Louisiana has added 21 new property insurance groups, a continued indication of significant improvement in the recovery of the Louisiana insurance market. The Citizens Depopulation Program has utilized 12 of those companies during its depopulation efforts. Not only do Citizens' policyholders benefit from depopulation due to more options and better prices, 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 five companies successfully making offers to write homeowners policies currently written by Citizens are Access Home Insurance Co., Maison Insurance Co., Lighthouse Property Insurance Corp., Centauri Specialty Insurance Co. and Coastal Select Insurance. Coastal Select is new this year in our state. The other four companies have previously participated in Citizens' depopulation process. All five companies offer similar coverage as Citizens or better coverage for a lower rate. Altogether 35,869 unique policies were requested by these companies this year and 10,739 policies were authorized to be moved, representing a 29.9 percent authorization rate of total policies requested.

November 15 was the deadline for agents to authorize policies to be moved from Citizens to the requesting company. Access Home Insurance Co. requested 17,795 policies and 6,882 policies were authorized. Maison Insurance Co. requested 19,753 policies and 2,263 policies were authorized. Lighthouse Property Insurance Corp. requested 8,973 policies and 1,128 policies were authorized. Coastal Select Insurance requested 2,843 policies and 261 policies were authorized. Centauri Specialty Insurance Co. requested 1,491 policies and 205 policies were authorized.

Insurance agents are critical in the process of moving policies from Citizens to the Depopulation Program companies. Independent agents authorized 3,832 policies, or 44.4 percent of their requested policies. State Farm agents authorized 3,143 policies or 26.7 percent of their requested policies. Allstate agents authorized 2,513 policies, which is 25.3 percent of their requested policies. Farm Bureau agents authorized 1,251 policies or 22.7 percent of their requested policies.

Citizens' policyholders whose policies were authorized to be moved to another company have 60 days to decide whether they prefer to remain with Citizens. In prior rounds, typically less than two percent of Citizens policyholders opted out and chose to remain with Citizens.

In the seven previous rounds of Citizens depopulation, Citizens has shed a total of 99,546 policies. Each of the depopulation rounds 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.

Results from Citizens' eighth depopulation efforts continue to be exceptional. The benefit of lower rates for those whose policies have transferred to the private market, as required by law, is well worth the efforts of participating insurance companies, the numerous insurance agents and the Citizens staff who worked diligently to make the eighth year of the Depopulation Program another successful year.