

# **Louisiana Property and Casualty Insurance Commission Full Commission Meeting**

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**Wednesday, August 27, 2008  
Louisiana Department of Insurance  
Plaza Hearing Room  
1:30 p.m.**

## **Minutes**

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**Commission Members Present:** Commissioner Donelon, Ted Haik, Senator Morrish, Representative Cortez, Jeff Albright, Chris Broadwater, Lorrie Brouse (via conference call), Marc Carter, Jim Dickerson (representing John LeBlanc), and Rick McGimsey

**Commission Members Absent:** Senator Cravins, Kay Hodges, Earl Taylor, Representative Monica and Aubrey Temple

**Commission Staff Present:** Terrell Moss, Joyce Paul, David Evans and Katie Walsh

**DOI Staff Present:** Denise Brignac, Clarissa Preston, Ed O'Brien, John Lamke, Audrey Higginbotham, and Lulu Firmin

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Chairman Ted Haik called the meeting to order at 1:30 pm.

Ms. Walsh called the roll.

Chairman Haik welcomed the group to the meeting, which included new members: Representative Page Cortez, former member Senator Dan Morrish, Chris Broadwater, and Rick McGimsey. Mr. Haik also regretfully announced that several members of the LPCIC have resigned, including Vice- Chairman Richie Clements, Chuck McMains, Bob Moorman, and Tom O'Neal. Depending upon reappointment, Mr. Moorman and Mr. O'Neal hope to return to the Commission.

Mr. John Wortman, CEO of Louisiana Citizens Property Insurance Corporation (Citizens), briefed the members on the current state of Citizens' financials, the depopulation status, the policy management system, service providers and emergency bond assessment. He reported that the 2005 financial statement is complete and audited, the 2006 statement is currently being audited, 2007 is nearing completion and will be ready for external auditors next week, and Citizens is current with the 2008 income statement through June. There is \$300 million cash on hand and reinsurance is in place. Round two of Citizens' depopulation will become effective December 1, 2008 and the take-out companies will begin to renew business on March 1, 2009. Mr. Wortman updated the LPCIC members on the Citizens' rate change. The process is complete for 2008, but requires Board approval before filing with the Department of Insurance for review. Provider RFP's are undergoing evaluation. The three current service providers for

Citizens are Bankers, the McNeill Group, and First Premium. Even though a three year contract was signed on October 1, 2005, the contracts were extended until April 1, 2009 to provide continuity during the storm season. There are fourteen interested carriers. The 2009 Citizens Emergency Assessment will remain at the 5% rate assessed in 2008. Policyholders may take this assessment as a credit on their Louisiana state income tax return as noted by Mr. Wortman.

Discussion followed. In reference to the rate change, Senator Morrish would like to have Scott Romito, the actuary for Citizens, provide insight for possible legislation that is needed to keep the rates in line. Mr. Albright thought Mr. Piazza, chief actuary for the Department of Insurance (DOI), should be present to add to this discussion. Mr. Albright added that this Commission could help provide some leadership for legislation in the Citizens rating process. Senator Morrish said that a hard look needs to be taken at rate calculations for Citizens with careful consideration for the market.

Chairman Haik provided the Commission members with an article by Rebecca Mowbray, a reporter for the Times Picayune, concerning the progression of the various litigation dealing with Citizens, giving both sides of view. He felt that this article was pertinent to the discussion about Citizens.

Mr. John Waters, an attorney with Bienvenu, Foster, Ryan, and O'Bannon, spoke to the Commission about class action lawsuits filed against Citizens. He stated following Hurricanes Katrina and Rita, Citizens had approximately 30 class action lawsuits filed against them. To date, they have won or neutralized all but five, one of which is pending and four of which have been certified. Mr. Waters discussed the specifics of the suits and the actions of the courts to this point and expressed his personal opinions on the outcome of the class action process. Discussion followed.

Mr. Trey Haik, an attorney with Haik, Minvielle & Grubbs, spoke about his experience as lead counsel in the case of Mark Landry v LA Citizens. This case concerns Louisiana's valued policy law (LRS 22:695). Mr. Haik has defended this case from the District Court through the Third Circuit Court of Appeals and ultimately before the Louisiana Supreme Court. He explained the valued policy law and the exception in Citizens' policy that has allowed him to successfully defend Citizens to this point. The case remains pending on other issues.

Ms. Alison Jones, Legislative Coordinator for DOI, reviewed the 2008 property and casualty legislation. This session posed some challenges with a new governor, new legislators, new committee chairman and new ethics laws; however, the DOI was successful in passing 25 of their proposed 34 bills. No DOI legislation was vetoed.

The legislation discussed by Ms. Jones included the following:

**Recodification:**

- Four bills were introduced to address the recodification of Title 22.
- There will now be 16 chapters in Title 22.
- Phase Two will be addressed in future sessions.

**Property and Casualty:**

- Act 125 and Act 194 corrected typos in current law.
- Act 818 and Act 883 require the filing of PRV and VMB policies with the DOI.

- Act 402 prohibits insurers from including fines and penalties in rate filings.
- Act 854 implements zone deductibles.

**Auto Insurance:**

- Act 921 increases the minimum liability limits for motor vehicle insurance to 15-30-25 on January 1, 2010.
- Act 851 requires insurance companies to issue proof of coverage that accurately reflects the insured's effective dates of coverage and the actual dates for which a premium has been received.
- Act 132 provides discounts on auto insurance for vehicles with GPS.

**Incentive Program:**

- Act 390 authorizes a third round for the Insure Louisiana Incentive Program and further clarified the requirements of the program.

**Domestic Captive Insurers:**

- Act 403 allows for the formation of domestic captive insurers in Louisiana.

**Citizens Corporation:**

- Act 211 gives Citizens authority to collect ratemaking information.
- Act 347 exempts St. Mary Parish from the 10% surcharge until 2010.
- Act 388 requires applicants for coverage to have been denied by at least one company.
- Act 434 requires that Citizens give a preference to Louisiana companies for adjusting and underwriting services.

**LIGA:**

- Extended the coverage through LIGA from \$150,000 to \$300,000 to protect consumers in the event of insolvency.

**Other Bills of Interest:**

- Act 665 bans the use of a wireless device to write, send, or read a text-based communication.
- Act 667 bans the use of a cell phone within one year of being issued a driver's license regardless of age.
- Act 300 increases the fines and penalties for violation related to child restraint systems, including the suspension of licenses.
- Act 666 prohibits any person 17 years old or younger from operating a motor vehicle while using a wireless telecommunications device.
- Act 335 bans school bus drivers from using a cell phone while driving.

Commissioner Donelon addressed the group. He thanked the members for their hard work and urged them to continue their efforts. He agreed with Senator Morrish and Mr. Albright that a detailed review of the statutory requirements for the setting of premiums by Citizens is appropriate and important as anything that is confronting property and casualty consumers in our state today. Commissioner Donelon urged the group to do so at the earliest opportunity.

Chairman Haik made a motion to address the topic of minimum auto coverage, seconded by the Commissioner, who agreed is a pertinent issue and should be discussed by the Commission in the near future.

Mr. Haik suggested having representation from the trial lawyers and the insurance industry on this subject at a future meeting. Research from other states should also be made available for the Commission to review.

There being no further business, a motion to adjourn was made by Representative Cortez, and the Louisiana Property and Casualty Insurance Commission adjourned at 3:05 pm.