PROPERTY INSURANCE REPORT

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INSIDE

More Accurate NFIP Rates Open Floodgates for Private Coverage

The **National Flood Insurance Program's** new pricing methodology raises premiums for most of its 5 million policyholders, creating a huge opportunity for insurance companies to grow the fledgling private flood insurance market.

It's still uncertain, however, if the new rating system – called NFIP Risk Rating 2.0 – will undergo changes under political and public pressure to lower caps on rate increases and maintain affordable premiums for high-risk properties.

Proponents of NFIP Risk Rating 2.0 say its new pricing will increase private competition, which creates more choices for consumers and could eventually attract more buyers. The residential flood insurance market has about $4 billion in written premium, but the actuarial firm **Milliman** estimates the total flood market at $37 billion to $47 billion.

Private carriers can offer broader coverage and higher

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Louisiana, Already Under Stress, Knocked to Its Knees By Ida

The **Louisiana** property insurance market is roiling like crawfish in a Bayou Classic pot, and it's no wonder.

Battered by three hurricanes that produced $10.6 billion in insured losses last year, the state was walloped in late August by Hurricane Ida, a Category 4 storm that made landfall on the 16th anniversary of Hurricane Katrina and could cost two to three times the insured losses of the 2020 hurricanes. Some insurers are shutting down their Louisiana business – voluntarily or through insolvency – and those that remain are raising rates and restricting coverage, especially on homes with roofs more than 10 years old.

Typical claims challenges were exacerbated by long-lasting power, phone and internet outages as well as shortages of labor and materials that grew during the Covid-19 pandemic. As policyholder complaints of slow adjusters and low-ball settlements reach lawmakers, you

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In a Twist, Lemonade Buys Metromile to Enter Auto

Just weeks after entering the auto insurance business with its own product, property insurance insuretech **Lemonade** has purchased **Metromile**, a 10-year veteran of the auto insurance market with $100 million in premium. The sale is valued at $500 million in Lemonade stock, diluting the ownership of current shareholders.

The deal combines two newly public insurers that have seen their stock prices fall from highs unsupported by their size and performance as profit and growth have fallen short of lofty investor expectations.

Metromile went public at $9.75 a share last November, rose to a peak of $20.39 in February 2021, before reality set in and investors realized the company was

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limits than the NFIP, which tops out at $250,000. Many private flood insurers are also confident they can offer lower prices for a variety of risks, not just those overpriced by NFIP's old, clumsy rating methodology.

"It's the best thing that ever happened to the private flood market," said **Florida** state Sen. **Jeff Brandes**. "It's going to raise prices dramatically and make private flood more attractive."

Based on conversations with actuaries and insurers, Brandes estimates that 85% of Florida properties can receive lower cost coverage in the private market. "The only question is capacity," he said. "There just isn't enough capacity to handle that level. Insurers are very selective about the amount of capacity they place into any specific ZIP code."

Today's private flood market is small, but growing. In 2020, 189 private carriers wrote flood insurance, compared with just 45 in 2016, according to Milliman.

Florida state Senator Jeff Brandes

The NFIP's leap in sophistication could also lead some carriers to reassess their competitiveness in the market, specifically those that target the best risks with the same coverage at slightly lower prices, according to **Nancy Watkins,** Milliman principal and consulting actuary.

Those products also rely on flood risk maps from the **Federal Emergency Management Agency's** (FEMA) – which manages NFIP – "even though there were known limitations that made most observers believe that they didn't accurately reflect the risk," she said. Risk Rating 2.0 could make those private programs obsolete.

Insurance companies that already used property-specific data and catastrophe models to price flood policies should find new market opportunities and fewer regulatory barriers in states seeking alternatives to NFIP 2.0, Watkins said, and even those with outdated products can benefit from their own data and experience in the market. Insurers that have stayed on the sidelines will also benefit when FEMA makes public massive amounts of flood data as part of the new risk rating program, she said.

Nancy Watkins Milliman

Better public data is "a public service to the companies that want to understand flood risk better," she said. She added that FEMA's growing use of catastrophe models on a wide scale across millions of properties will help the models evolve more quickly, become more reliable, and gain acceptance with more regulators.

Risk Rating 2.0 is the first fundamental change to how the NFIP calculates premiums in the program's 53-year history, with a goal of making its rates actuarially sound and reducing the program's $20 billion deficit. It abandons the use of flood zones that place many dissimilar properties into groups that receive a similar price, and instead adopts modern tools like catastrophe modeling and the property-specific data used by private carriers for more precise pricing. Risk Rating 2.0 also considers a wider range of flood frequencies, geographical variables – such as the distance to water and the type and size of nearest bodies of water – and the elevation of the property relative to the flooding source, according to the **Congressional Research Service**.

The new rating methodology went into effect for all new NFIP policies written as of Oct. 1. The remaining policies are subject to the new rating program with renewals as of April 1, 2022.

The federal government launched the NFIP in 1968 to fill the market need at a time when private carriers, lacking the ability to adequately

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assess and measure risk, viewed flood as an uninsurable peril.

As technology to measure risk improved, the NFIP's low rates remained a barrier to insurers launching flood products. The conventional wisdom held that it wasn't worth investing in the market if products with actuarially sound rates couldn't compete against NFIP's artificially low prices. But if carriers view the NFIP as a rational competitor that charges rates that reflect the risk, Watkins said, that fear subsides.

Private carriers only began entering the admitted flood insurance market following the NFIP's last attempt at reform – the Biggert-Waters Flood Insurance Reform Act of 2012. Even though some provisions were rolled back two years later in response to a political outcry, the effort signaled to the industry that the NFIP would ultimately bring its rates more in line with actuarially sound views of risk, Watkins said. Vendors and reinsurers began developing inland flood catastrophe models and upgrading storm surge catastrophe models. The act also sought to remove one of the major barriers to private flood insurance: the unwillingness of banks to accept private policies as protection for federally backed loans in flood risk areas. Rules adopted by banking regulators in early 2019 required mortgage lenders to accept qualifying private flood policies in addition to NFIP policies.

Armed with catastrophe models, insurers began targeting the best risks with better pricing and higher limits. Private flood products became even more sophisticated in recent years with specific data about a property's characteristics.

"What we're seeing now is a wave of very granular pricing that may have been developed based on catastrophe models, but it doesn't require using a catastrophe model at point of quote," Watkins said. "Those kinds of rating plans are much more consistent with what state regulators expect to see when they're approving [filings]."

Melissa Burt DeVriese
Security First Insurance

Melissa Burt DeVriese, president of **Security First Insurance Co.** in Florida, said private insurers can use that granular data to offer better prices and more comprehensive coverage for many NFIP policyholders, not just the most overpriced.

Security First began offering **Swiss Re**'s flood product to its existing homeowners policyholders as an endorsement in 2018, and about 10% have elected to buy it. She said the publicity about flood insurance generated by Risk Rating 2.0 should help increase demand. Publicity can also help dispel the notion that homeowners only need flood insurance if they are in a high-risk flood zone and their mortgage lender requires it.

Dan Alpay, flood line underwriter for **Hiscox's** surplus lines flood policy, FloodPlus, said that closer alignment between NFIP and private carrier rates will also improve the public's overall trust in flood insurance products.

"You can have two neighbors who have a slightly different elevation with very, very different premiums quoted," he said. "And when they talk to each other, then they think the whole private market is all over the place, but then in reality, it's just more granular."

Milliman launched a private flood product called Bungalow that uses property-specific data for exact pricing. Using its new rating advisory organization, Appleseed, Milliman has also filed Swiss Re's flood product in several states.

Private flood policies will likely have greater appeal for homeowners facing NFIP rate increases, as well as those who want more coverage than the program's $250,000 limit.

With the new rating system, premiums will increase $10 or less per month for 66% of NFIP policyholders. About 7% will see an increase

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between $10 and $20, and 4% will see a monthly increase of more than $20, according to FEMA estimates. Monthly premiums will decrease an average $86 for about 23% of NFIP policyholders.

In Florida, NFIP's largest market with about 1.73 million policies, prices increase rise for about 80% of policyholders. Premiums will rise for about 86% of the 768,537 policies in **Texas**, the next biggest market. In **Louisiana**, the third largest NFIP state with 495,923 policies – and the biggest beneficiary of its claims payouts – 80% of policyholders will pay more.

2022 Flood Insurance Rate Changes For 10 Largest Flood Markets

State	NFIP Policies in Force	Expected Rate Change: Decrease	$0-$120	$120-$240	Over $240
Florida	1,727,811	20%	68%	8%	4%
Texas	768,537	14%	79%	4%	3%
Louisiana	495,923	20%	70%	7%	3%
New Jersey	217,178	21%	64%	10%	5%
California	214,829	27%	63%	6%	4%
South	208,559	26%	65%	6%	3%
New York	171,099	32%	54%	7%	7%
North Carolina	139,842	26%	65%	6%	3%
Virginia	104,781	45%	48%	5%	2%
Georgia	81,998	24%	69%	5%	2%

Source: National Flood Insurance Program

All increases are capped at 18% annually. But critics of the new rating system point out that 18% increases on an annual basis will cause a homeowner's premium to nearly double every four years. In addition to the monthly burden on the homeowner, prohibitively expensive flood insurance can hurt property values and render some real estate essentially worthless.

A notoriously tiny percentage of homeowners buy flood insurance. For one thing, many aren't aware that traditional homeowners insurance policies don't cover floods. For another, lenders require flood coverage as a condition of a federally backed mortgage only for properties located in FEMA-designated "special flood hazard zones," despite the flood risk faced by millions of properties outside those zones.

Only 30% of homes in the highest-risk areas have flood coverage, according to the Risk Management and Decision Processes Center of the Wharton School at the **University of Pennsylvania**. And FEMA reports that more than 20% of flood claims come from outside of high-risk flood zones. Hurricane Harvey in 2017 provided a potent example: An estimated 80% of Texas flood victims lacked flood insurance.

Homeowners who stick with the NFIP still often require excess flood coverage, given the program's low coverage limits and the likelihood that a flood claim will result in a total loss.

"Most people have no concept of when they have a big storm in Florida and they get hit by a storm surge, that if their home gets pushed off of its foundation by the storm, that's not a homeowner insurance claim, that's a flood claim," Brandes said. "They think that their home might be worth a million bucks, but they only have $250,000 dollars in coverage because they didn't buy excess flood."

The fear that Biggert-Waters would lead to prohibitively expensive flood insurance and damage real estate values prompted Brandes to sponsor a 2017 law in Florida that eased regulatory barriers for admitted market private flood carriers. It spurred the growth of the largest number of private flood carriers of any state.

NFIP 2.0 could lead to more states taking similar action. Using the Florida law as a model, Louisiana lawmakers passed legislation in June

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can bet a much-needed Sazerac that insurers will face a litany of bills when the Louisiana Legislature convenes in March, including a repeat from the last session that would require additional living expenses (ALE) for a power outage and a new bill governing coverage for evacuations.

Meanwhile, Insurance Commissioner **Jim Donelon** expects homeowners insurance rates to rise 10% to 12%, at the same time that some will face "astronomical" increases under the **National Flood Insurance Program's** new rating methodology. (See story on Page 1.) Some top 10 writers have already received approval for big rate hikes this year, according to RateWatch from **S&P Global Market Intelligence**. These include 43% for No. 9 **Lighthouse**, 26.3% for No. 6 **UPC Insurance** and 20.4% for **Federated National** and its **Maison Insurance** subsidiary, which are withdrawing from the market.

Louisiana already ranks as the most expensive and least affordable homeowners insurance market, based on its 2018 average premium of $1,987, low household incomes and inexpensive housing stock, according the most recent data available from the **National Association of Insurance Commissioners**.

"I've never seen the property market in Louisiana as hard as it is right now, and I believe it's going to be even harder in the next year or two," said **Jeff Albright**, CEO of the **Independent Insurance Agents & Brokers of Louisiana**. "We are generally able to place coverage, but pricing is going up significantly, and, more important, terms are becoming more and more restrictive."

Two insurers recently announced they are pulling out of the Louisiana homeowners insurance market, and Donelon put two smaller carriers – **Access Home Insurance Co.** and **State National Fire Insurance Co.** – into receivership Nov. 12 on the heels of **Florida's** liquidation of **Gulfstream Property & Casualty** due to problems it experienced in that state.

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Louisiana
Property Insurance Profit Margins
10-Year Summary, % of Direct Premiums Earned, With National Averages

Line of Business	2019 Total Profit	2018 Total Profit	2017 Total Profit	2016 Total Profit	2015 Total Profit	2014 Total Profit	2013 Total Profit	2012 Total Profit	2011 Total Profit	2010 Total Profit	Avg Total Profit
State Homeowner	20.2	28.5	25.5	21.0	28.3	28.1	22.4	18.9	19.6	32.1	24.5
Nat'l Homeowner	10.3	-2.0	-2.6	11.8	14.0	13.9	16.5	8.1	-3.8	7.2	7.3
State Fire	31.5	34.1	30.8	17.6	23.0	36.9	12.0	23.8	14.2	33.1	25.7
Nat'l Fire	5.8	4.8	4.7	11.0	24.2	21.4	26.9	24.7	24.8	27.6	18.3
State Comm MP	13.2	19.5	28.0	-2.4	24.8	14.9	24.8	14.8	43.2	29.3	21.0
Nat'l Comm MP	8.2	4.1	0.6	9.8	14.5	12.4	14.9	9.0	4.1	13.2	9.1
State Allied	15.5	37.2	33.6	-193.0	38.6	44.5	38.9	-1.2	37.4	49.1	10.1
Nat'l Allied	7.6	2.2	-37.6	10.6	19.2	15.7	6.3	-19.4	5.7	28.5	3.9

Note: Profit calculations are by *Property Insurance Report* using data from the National Association of Insurance Commissioners. Calculations are estimates, some based on national averages.

Louisiana
Homeowners Multiperil Insurers

Groups Ranked by Total 2020 Direct Premium Written (000)

Group Name	2020 Premium	Mkt share 2020	Loss Ratio 2020	2019 Premium	Mkt share 2019	Loss Ratio 2019	2018 Premium	Mkt share 2018	Loss Ratio 2018
State Farm Mutual	$518,572	25.2%	233.9%	$509,075	26.0%	42.6%	$497,617	26.2%	39.3%
Allstate Corp.	$225,826	11.0%	299.7%	$228,799	11.7%	38.1%	$219,789	11.6%	31.0%
USAA Insurance Group	$126,796	6.2%	235.1%	$121,149	6.2%	52.1%	$117,201	6.2%	39.3%
Liberty Mutual	$114,281	5.6%	217.4%	$109,098	5.6%	41.2%	$124,850	6.6%	32.4%
Louisiana Farm Bureau Mutual Ins Co.	$93,287	4.5%	207.0%	$92,586	4.7%	50.2%	$92,696	4.9%	35.5%
United Insurance Holdings/UPC	$88,974	4.3%	280.1%	$78,799	4.0%	45.8%	$71,820	3.8%	33.2%
FedNat Insurance	$81,318	4.0%	318.5%	$75,778	3.9%	43.3%	$69,618	3.7%	25.3%
Progressive Corp.	$80,542	3.9%	196.3%	$75,518	3.9%	38.8%	$74,007	3.9%	30.1%
Lighthouse Property Ins. Corp./ TWIMG	$76,641	3.7%	262.7%	$60,310	3.1%	52.2%	$54,626	2.9%	42.6%
Farmers Insurance Group	$52,778	2.6%	206.6%	$51,678	2.6%	42.4%	$51,146	2.7%	35.3%
Southern Fidelity Insurance Co	$43,208	2.1%	157.0%	$24,946	1.3%	38.6%	$25,269	1.3%	23.3%
Shelter Insurance	$34,463	1.7%	552.4%	$33,870	1.7%	79.7%	$32,253	1.7%	64.5%
GeoVera Holdings	$33,675	1.6%	543.8%	$35,643	1.8%	48.8%	$33,363	1.8%	25.4%
Centauri Insurance	$32,769	1.6%	153.4%	$30,653	1.6%	49.0%	$29,565	1.6%	37.0%
Allied Trust Insurance Co.	$30,162	1.5%	382.4%	$17,946	0.9%	39.0%	$8,866	0.5%	24.0%
Chubb Ltd.	$28,859	1.4%	29.7%	$30,394	1.6%	42.1%	$30,936	1.6%	45.0%
Assurant	$28,611	1.4%	299.0%	$27,767	1.4%	32.9%	$27,663	1.5%	22.7%
IAT Insurance	$27,949	1.4%	173.1%	$16,947	0.9%	29.6%	$14,645	0.8%	35.7%
Munich Re/American Modern Ins Group	$27,315	1.3%	250.2%	$25,862	1.3%	35.9%	$26,231	1.4%	29.7%
Americas Insurance Company	$26,984	1.3%	116.5%	$20,925	1.1%	32.3%	$18,989	1.0%	29.7%
American National Insurance	$25,583	1.2%	146.8%	$23,802	1.2%	59.6%	$23,363	1.2%	54.4%
Tokio Marine Group/PURE	$24,223	1.2%	54.5%	$21,662	1.1%	31.8%	$18,984	1.0%	15.9%
American International Group	$22,480	1.1%	370.5%	$22,299	1.1%	105.9%	$21,441	1.1%	18.5%
Bankers Insurance	$17,759	0.9%	294.1%	$13,592	0.7%	30.2%	$10,435	0.6%	34.5%
Cypress Group Holdings, Inc.	$17,684	0.9%	277.0%	$17,418	0.9%	37.7%	$18,515	1.0%	31.7%
Gulf States Holdings Inc.	$17,403	0.8%	385.5%	$13,298	0.7%	27.9%	$9,161	0.5%	15.7%
New Holdings Inc./Gulfstream	$15,861	0.8%	131.7%	$17,692	0.9%	42.8%	$19,620	1.0%	36.9%
QBE Insurance Group Ltd.	$13,158	0.6%	539.8%	$13,029	0.7%	26.3%	$13,619	0.7%	33.6%
Hartford Financial Services	$12,328	0.6%	156.6%	$12,762	0.7%	40.0%	$13,666	0.7%	46.6%
American Family Insurance Group	$12,145	0.6%	159.3%	$10,509	0.5%	24.5%	$11,479	0.6%	37.3%
The Hanover Insurance Group	$11,357	0.6%	133.3%	$12,218	0.6%	56.5%	$12,496	0.7%	49.6%
Travelers Companies Inc.	$11,007	0.5%	56.6%	$11,718	0.6%	21.1%	$12,603	0.7%	20.0%
Horace Mann Educators Corp.	$9,692	0.5%	166.6%	$10,448	0.5%	30.1%	$11,161	0.6%	36.5%
AmTrust Financial	$9,278	0.5%	216.2%	$18,093	0.9%	38.8%	$18,598	1.0%	30.4%
Weston Insurance	$8,666	0.4%	238.5%	$4,270	0.2%	77.4%	$2,842	0.2%	52.2%
Aegis Security Insurance Co.	$7,906	0.4%	501.8%	$7,519	0.4%	28.6%	$5,022	0.3%	19.6%
LA Citizens Ppty Ins Corp.	$5,746	0.3%	64.2%	$6,629	0.3%	52.5%	$7,889	0.4%	11.3%
United Fire Group Inc.	$4,847	0.2%	105.8%	$5,487	0.3%	30.3%	$6,244	0.3%	11.8%
Nationwide Mutual Group	$4,764	0.2%	139.3%	$6,449	0.3%	91.1%	$3,912	0.2%	17.2%
Southern Farm Bureau Casualty	$4,369	0.2%	199.6%	$4,667	0.2%	29.2%	$5,050	0.3%	20.3%
Statewide Totals	$2,060,408		249.0%	$1,960,741		43.8%	$1,900,180		34.9%

Source: S&P Global Market Intelligence and the *Property Insurance Report* database.
Loss ratio = incurred losses/direct premium earned and does not include dividends or loss adjustment expense.

State Market Focus: LOUISIANA

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In another harbinger of bad news, Louisiana's 20th largest home insurer, **Americas Insurance Co.**, had its financial stability rating from **Demotech** withdrawn last month. Though it writes only in Louisiana, that insurer is domiciled in the **District of Columbia**.

Meanwhile, Hurricane Ida scared **GeoVera** from the market six months after the **California**-based surplus lines carrier committed to expanding its appetite for business in coastal Louisiana, including the southwestern region devastated by Hurricane Laura in late August 2020. (GeoVera is also withdrawing from **South Carolina**.)

Laura caused $9.1 billion in insured losses, and weeks later, in October 2020, Zeta and Delta combined for another $1.5 billion. Catastrophe modeler **RMS** estimates that Hurricane Ida, which struck Louisiana Aug. 29, produced insured losses of $25 billion to $35 billion in the Gulf, most of it in Louisiana, with another $6 billion to $9 billion in flood losses as it moved eastward across the country.

After GeoVera canceled homeowners early this year, Donelon issued a cease and desist order based on a Louisiana law that requires both admitted and surplus lines carriers to renew policies on the books for three years in most circumstances. Even so, Donelon said, GeoVera executives told him the company planned to expand. "The hit from Ida changed their position within six months of them telling me they were going to double down," Donelon said. GeoVera ranked 27th with 0.8% of Louisiana homeowners premium last year.

The latest blow to the market came from Federated National, Louisiana's seventh-largest homeowners insurance group with 4.0% of statewide premium. FedNat announced this month that it was withdrawing from Louisiana, **Texas** and other homeowners markets to return to its Florida roots. CEO **Michael Braun** blamed the "unprecedented number of catastrophe weather events that affected Texas and Louisiana over the past 15 months, coupled with the hardening reinsurance market that began in mid-2019."

Donelon is monitoring the financial condition of about a dozen carriers monthly, but he

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Louisiana

Commercial Multiperil Nonliability Insurers

Groups Ranked by 2020 Premiums Written (000)

Group Name	2020 Premiums	Mkt share	Loss Ratio
State Farm Mutual	$46,204	10.9%	371.3%
Chubb Ltd.	$34,831	8.2%	173.4%
Markel Corp.	$32,391	7.6%	308.0%
American International Group	$32,211	7.6%	146.2%
Liberty Mutual	$22,895	5.4%	191.0%
Travelers Companies Inc.	$22,644	5.3%	126.8%
Nationwide Mutual Group	$22,535	5.3%	453.0%
Allianz Group	$18,305	4.3%	68.2%
GuideOne Insurance	$17,876	4.2%	335.5%
Zurich Insurance Group	$17,389	4.1%	601.4%
Church Mutual	$13,787	3.2%	615.5%
CNA Financial Corp.	$13,282	3.1%	172.9%
Hartford Financial Services	$11,413	2.7%	207.2%
Berkshire Hathaway Inc.	$10,856	2.5%	198.8%
Allstate Corp.	$9,856	2.3%	238.4%
AmTrust Financial	$7,985	1.9%	409.7%
AF Group	$7,660	1.8%	na
Tokio Marine	$6,477	1.5%	279.9%
Bankers Insurance	$6,414	1.5%	148.7%
The Hanover Insurance Group	$6,184	1.5%	117.0%
American Capital Assurance Corp.	$4,887	1.1%	402.0%
Argo Group International	$3,874	0.9%	566.5%
Global Indemnity	$3,368	0.8%	410.5%
IAT Insurance	$3,062	0.7%	274.3%
FCCI	$2,844	0.7%	98.4%
MS&AD Insurance	$2,784	0.7%	262.2%
EMC Insurance	$2,780	0.7%	281.3%
Great American Insurance	$2,724	0.6%	49.3%
Alleghany Corp.	$2,670	0.6%	374.1%
Auto-Owners Insurance	$2,623	0.6%	143.2%
Statewide Totals	$425,039		301.8%

Source: S&P Global Market Intelligence and the *Property Insurance Report* database.
Loss ratio = incurred losses/direct premium earned and does not include dividends or loss adjustment expense.

State Market Focus: LOUISIANA

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expressed confidence that the market would not devolve into a crisis. He noted that **Centauri** offered coverage to Gulfstream's 9,000 policyholders, while FedNat said **SageSure**, a managing general underwriter, would start offering policyholders coverage with its other insurance partners beginning next month.

"The overwhelming majority of the 30 small, regional carriers that stepped into the void created by the exiting national carriers after Hurricane Katrina have been OK," he said in an interview. "They had enough reinsurance in place to weather these back-to-back storms."

To ease the challenging commercial property market, **Louisiana Citizens Property Insurance Corp.**, the residual market, voted Nov. 10 to increase coverage limits for the first time since 2013. The board raised limits to $10 million for one commercial building, up from $5.5 million, and to $20 million per insured, up from $11 million. Contents coverage will go up to $3.2 million from $2.2 million.

"We needed to increase it," Citizens CEO **Richard Newberry** said in an interview, citing estimating software that showed a 34% increase in labor and materials costs since 2016. "We know we need to stand in the gap for those who can't find coverage in the voluntary market."

While agents desired a permanent increase, Donelon pushed for a temporary measure. The increase sunsets in two years. "I want to keep Citizens as true market of last resort," he said.

The residual market has shrunk dramatically, from the third-largest insurer writing 9.8% of homeowners premium at its peak in 2008 to 37th last year with a 0.3% market share. Citizens remains the largest writer of allied lines with 8.9% of premium last year, but that's a far cry from its 29.8% market share in 2008.

"I want to keep it that way, and I want the private sector on the line backed up by the international reinsurance marketplace to spread that risk around the world," Donelon said.

The fate of carriers writing the majority of homeowners coverage in Louisiana are heavily dependent on reinsurance, and it's still unclear to what degree higher reinsurance rates and tighter coverage terms will limit their capacity.

For now, to reduce their exposure insurers are increasing deductibles and narrowing coverage, with many moving to actual cash value roof

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Louisiana
Fire Insurers
Groups Ranked by 2020 Premiums Written (000)

Group Name	2020 Premiums	Mkt share	Loss Ratio
STARR Companies	$34,448	9.0%	410.5%
Southern Fidelity Insurance Co	$29,033	7.6%	356.8%
FM Global	$18,361	4.8%	88.5%
Zurich Insurance Group	$17,935	4.7%	878.4%
Farmers Insurance Group	$16,197	4.2%	260.8%
American International Group	$14,871	3.9%	83.6%
SCOR	$14,697	3.9%	311.5%
Cypress Group Holdings, Inc.	$13,774	3.6%	7.0%
Dorinco Reinsurance Co.	$12,400	3.3%	0.0%
Arch Capital	$11,211	2.9%	444.3%
Allianz Group	$10,869	2.9%	157.8%
Munich Re	$10,115	2.7%	29.5%
AXA SA	$9,524	2.5%	480.5%
Liberty Mutual	$9,233	2.4%	426.0%
Louisiana Citizens Property Ins Corp.	$7,910	2.1%	48.1%
Nationwide Mutual Group	$7,422	1.9%	579.4%
Assurant	$7,008	1.8%	28.3%
Travelers Companies Inc.	$6,857	1.8%	112.9%
Sompo Holdings Inc.	$6,726	1.8%	16.6%
Alleghany Corp.	$6,445	1.7%	8.6%
HDI V.a.G	$6,370	1.7%	12.3%
Berkshire Hathaway Inc.	$6,275	1.6%	457.2%
Kemper Corp.	$6,117	1.6%	32.5%
QBE Insurance Group Ltd.	$5,971	1.6%	456.7%
Chubb Ltd.	$5,576	1.5%	74.4%
Swiss Re	$4,324	1.1%	19.2%
Allstate Corp.	$4,197	1.1%	192.3%
Statewide Totals	$381,714		255.2%

Source: S&P Global Market Intelligence and the *Property Insurance Report* database.
Loss ratio = incurred losses/direct premium earned and does not include dividends or loss adjustment expense.

State Market Focus: LOUISIANA

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reimbursements, Albright said.

Since 2010, Louisiana law has afforded homeowners protection from paying multiple named-storm deductibles for damage that occurs within one calendar year. But when five named storms struck Louisiana last year, commercial property owners faced daunting out-of-pocket expenses. In response, lawmakers passed Senate Bill 70, which bars admitted insurers from requiring commercial policyholders to satisfy more than one named-storm deductible in a calendar year. The law does not apply to surplus lines carriers, which Albright estimates write 70% of commercial coverage in southern Louisiana.

Lawmakers passed a host of other insurance legislation last session, and more is sure to come.

With SB 29, lawmakers strengthened the insurance commissioner's power to adopt emergency rules, including those prohibiting cancellations and nonrenewals and extending the time period for adjusting claims.

Among several other insurance bills that passed were House Bill 457, which tightened requirements for claims adjusters, and HB 585, which increased penalties on insurers that violate claim settlement rules. In the event of a declared disaster, an insurer that fails to pay the undisputed amount of a loss within 30 days could be penalized 50% of the amount that should have been paid or $2,500, whichever is greater. The original bill called for a 15-day payment deadline and bad faith penalties of 200% of

Please see LOUISIANA on Page 10

Louisiana 2018 Insured Home Values (HO3 Policy Form)

Home Value	Louisiana	National Average
<$50K	0.3%	0.2%
$50-75K	0.9%	0.4%
$75-100K	3.5%	1.1%
$100-125K	7.7%	3.1%
$125-150K	13.2%	5.7%
$150-175K	12.2%	8.1%
$175-200K	11.6%	9.1%
$200-300K	32.0%	32.9%
$300-400K	12.2%	19.2%
$400-500K	4.5%	9.4%
>$500K	4.9%	10.8%
Total exposures	662,979	48,312,844

Source: NAIC, *Property Insurance Report*

Louisiana
Allied Lines Insurers
Groups Ranked by 2020 Premiums Written (000)

Group Name	2020 Premiums	Mkt share	Loss Ratio
Louisiana Citizens Property Ins Corp.	$45,540	8.9%	194.8%
FM Global	$41,223	8.0%	119.5%
Zurich Insurance Group	$28,801	5.6%	%
GeoVera Holdings	$25,503	5.0%	96.9%
Chubb Ltd.	$20,302	4.0%	267.4%
Swiss Re	$19,766	3.9%	608.7%
American International Group	$18,858	3.7%	911.1%
Assurant	$16,918	3.3%	240.1%
QBE Insurance Group Ltd.	$14,749	2.9%	626.8%
Nationwide Mutual Group	$12,722	2.5%	213.8%
Farmers Insurance Group	$12,687	2.5%	10.5%
AXIS	$12,595	2.5%	384.2%
Berkshire Hathaway Inc.	$12,568	2.5%	408.1%
FedNat Insurance	$12,198	2.4%	288.0%
USAA Insurance Group	$11,898	2.3%	231.5%
Alleghany Corp.	$11,120	2.2%	688.9%
State National Fire Ins Co.	$10,614	2.1%	541.9%
AXA SA	$10,333	2.0%	728.8%
Louisiana Farm Bureau Mutual Ins Co.	$9,336	1.8%	393.5%
United Insurance Holdings/UPC	$8,515	1.7%	89.3%
CNA	$8,214	1.6%	26.3%
Tokio Marine	$7,600	1.5%	242.0%
RLI	$7,323	1.4%	585.6%
Sompo Holdings Inc.	$7,301	1.4%	288.0%
Ocean Harbor Insurance	$6,953	1.4%	158.6%
Travelers Companies Inc.	$6,777	1.3%	200.8%
Shelter Insurance	$5,871	1.1%	653.8%
Munich Re	$5,303	1.0%	230.2%
Statewide Totals	$512,447		405.8%

Source: S&P Global Market Intelligence and the *Property Insurance Report* database.
Loss ratio = incurred losses/direct premium earned and does not include dividends or loss adjustment expense.

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the amount with a $10,000 minimum. Insurers shouldn't be surprised to see a call for stronger penalties in the next session.

Many policyholder complaints stem from a revolving cast of claims adjusters that delays the claims process.

"It's not uncommon for policyholders to have three, four, five, six, even seven claims adjusters on the same claim," Albright said. "It seems to be the basic problem is most insurance companies have outsourced their entire catastrophe claims response to third-party independent claims adjusting firms that don't have the resources necessary to settle claims in the professional manner most companies want."

One issue sure to re-emerge in the session that begins in March is coverage for additional living expenses. House Bill 458 would have declared a home with storm damage that experiences a power or water outage for at least 24 hours to be uninhabitable, triggering ALE coverage even if the covered property damage was minor.

The bill sailed through the House unanimously, but it stalled in the Senate Insurance Committee after an outcry from insurers and agents. "Essentially this bill would have expanded coverage under personal line policies to include off-premises utility interruption coverage, a coverage that is generally unavailable in the insurance market and a coverage not contemplated in the premium charged for personal line policies," **Louis Fey Jr.**, vice president of risk management at **BXS Insurance**, wrote in a legislative summary for the **Professional Insurance Agents of Louisiana**.

Donelon is also planning to push for legislation that would avoid the current dispute over evacuation coverage. In September, the commissioner ordered insurers to forgo policy restrictions limiting ALE payouts to people subject to mandatory evacuations after some carriers ignored his plea to do so voluntarily.

Richard Newberry
Louisiana Citizens
Property Insurance

Insurers generally pay ALE to property owners with homes that are made uninhabitable by a covered peril, but the coverage can also be triggered by a "civil authority" requiring homeowners to leave their property. Some insurers, most notably **State Farm**, denied ALE to people in parishes where officials issued voluntary evacuation orders because they lacked time to coordinate mandatory evacuations.

"The use of that limitation was not intended to unjustly deny coverage to a policyholder who legitimately evacuates to protect their life and health and where it was impracticable for a civil authority to issue a formal order of evacuation," Donelon wrote in the Sept. 7 order, which State Farm has challenged in the administrative courts.

Earlier this month, Donelon asked his staff to develop legislative language for a 2022 bill that would prevent the same issue with evacuation coverage should the situation arise in the future.

Judging by a September hearing of a joint legislative panel, the political guillotine is already being prepared for insurers, telecommunications companies, utilities and the **Federal Emergency Management Agency**, which has been slow to provide temporary housing for victims of last year's hurricanes.

Jeremy Stine, a Republican state Senate candidate from hard-hit Lake Charles, attributed the problems to greed. "The punishment for that deadly sin of greed is condemnation to hell for all eternity," Stine told lawmakers. "The Christian tradition is to boil you alive in oil. I like to joke it's a Bayou Classic pot with some nice peanut oil and some Cajun seasonings." PIR

FLOOD *Continued from Page 4*

that temporarily replaces the usual requirement that rates and forms receive prior approval with a file-and-use system for private flood.

Louisiana is "very dependent on the NFIP, but we're also very much interested in stimulating a private flood insurance marketplace that, yes, has the potential of rendering the NFIP a residual market or market of last resort," said Louisiana Insurance Commissioner **Jim Donelon**. "But, frankly, with the continued threat of raising rates to the point of rendering thousands of policies in our market unaffordable, we are trying to find alternatives to the FEMA-sponsored National Flood Insurance Program as well."

The **Congressional Budget Office** projects that an estimated 900,000 NFIP policyholders, or about 20%, will drop NFIP coverage as a result of Risk Rating 2.0.

Two Louisiana U.S. senators, Republicans **Bill Cassidy** and **John Kennedy**, are part of a bipartisan group of lawmakers introducing legislation this month that would, among other reforms, limit annual premium hikes to 9% instead of 18%. They also called on FEMA to delay implementation of Risk Rating 2.0. The legislation would reauthorize the NFIP for five years when it expires Dec. 3, instead of relying on short-term funding measures as it has since Sept. 30, 2017.

Private insurance companies interviewed for this story believe by moving private and public flood insurance rates in closer alignment, Risk Rating 2.0 would, over time, help increase the overall take-up rate for flood insurance as more consumers become aware of their need for coverage and more carriers see opportunity and enter the space.

"It's the boldest step in the right direction to help consumers in this country, it's like nothing I've ever seen," said insurance consultant **Lisa Miller**, a former deputy insurance commissioner in Florida. "It may be painful for some, but the long-term effect of what FEMA is trying to do is transformational." PIR

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LEMONADE *Continued from Page 1*

not growing quickly nor making much money. The stock had fallen to around $3 when it sold to Lemonade.

Lemonade, a much better marketing machine that has garnered substantially more attention from the public, the media, and investors, went public at $69.41 in July 2020, rose sharply to $188.30 in February, and then quickly fell back to earth when investors came to their senses and realized that it was not going to take the insurance markets by storm. Lemonade was trading very close to its initial offering price last week when it made the Metromile bid.

The combination could prove to be a boost for both, with cross-selling opportunities between auto and property insurance, and a reduction in the high costs that have bedeviled both carriers. While neither enterprise shows much sign of being a disruptive force in either of their markets, at least combined they have a chance to be a solid competitor. PIR