

Regular Session, 2013

SENATE BILL NO. 19

BY SENATOR ALLAIN

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

PROPERTY INSURANCE. Prohibits Citizens Insurance Corporation from assessing rates in excess of 25% per year without approval from the Senate and House committees on insurance. (8/1/13)

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AN ACT

To amend and reenact R.S. 22:2303(A), relative to Louisiana Citizens Insurance Corporation; to provide with respect to rates, rating plans, and rate rules applicable; to provide for limitations on rate increases; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 22:2303(A) is hereby amended and reenacted to read as follows:

§2303. Rates, rating plans, and rate rules applicable

A.(1) As residual markets, the plans made available by the Louisiana Citizens Property Insurance Corporation are not intended to offer rates competitive with the voluntary market. Rates for policies issued under the Coastal Plan and the FAIR Plan shall be set by the governing board of the Louisiana Citizens Property Insurance Corporation, adjusted annually, and, **subject to the limitation in Paragraph (2) of this Subsection**, shall exceed by at least ten percent the higher of (a) the actuarially justified rate or (b) the highest rates charged among assessable insurers that have a minimum of two percent of the total direct written premium in each respective parish for that line of business **offered as stand-alone coverage** in the preceding year, or, with respect to personal lines property insurance, excluding wind and hail policies,

1 only, (c) the highest rates charged among assessable insurers in each respective  
2 parish which in the preceding year increased by at least twenty-five additional  
3 personal lines property insurance policies, excluding wind and hail policies, in such  
4 parish, the total number of such policies in effect for the parish over the year before.  
5 Such rates shall include an appropriate catastrophe loading factor and may include  
6 rules for classification of risks insured hereunder and rate modifications hereof.

7 **(2) Louisiana Citizens Insurance Corporation shall be prohibited from**  
8 **assessing or implementing an annual rate increase for any parish in excess of**  
9 **twenty-five percent without approval from the House and Senate committees**  
10 **on insurance, acting jointly. The joint meeting shall be held within thirty days**  
11 **of the notification from the Citizens board to the committees of the proposed**  
12 **rate increase. The chief executive officer and the staff actuary for the**  
13 **corporation shall provide testimony at the joint meeting which specifies, by**  
14 **parish, the basis and methodology used in determining the proposed rate**  
15 **increase. Upon approval by the committees meeting jointly, the commissioner**  
16 **may elect to implement the rate increase over a period of two to five years.**

17 ~~(2)~~**(3)** The method used to determine the highest rates charged among  
18 assessable insurers that have a minimum of two percent of the total direct written  
19 premium in each parish and with respect to personal lines property insurance,  
20 excluding wind and hail policies, only, the highest rates charged among assessable  
21 insurers in each respective parish which in the preceding year increased by at least  
22 twenty-five additional personal lines property insurance policies, excluding wind and  
23 hail policies, in such parish, the total number of such policies in effect for the parish  
24 over the year before shall be set forth in the annual rate review provided by the  
25 governing board and shall be documented in the rate filing as required in Subsection  
26 C of this Section. The chief executive officer of the corporation or his designee shall  
27 survey all insurers to make the determinations necessary to comply with this Section.  
28 All insurers shall submit to the chief executive officer of the corporation or his  
29 designee all information necessary for the corporation to comply with the provisions

1 of this Section. All information received by the chief executive officer or his  
 2 designee in response to the survey shall be considered proprietary, privileged, and  
 3 confidential by the chief executive officer, all members of his staff, and all members  
 4 of the board of the corporation. Such information shall be exempt from the public  
 5 records law (R.S. 44:1 et seq.). However, all such information shall be subject to the  
 6 legislative auditor's authority pursuant to R.S. 24:513 et seq. The chief executive  
 7 officer of the corporation or his designee shall execute appropriate confidentiality  
 8 agreements to protect the information provided by assessable insurers, making  
 9 allowance for the information to be provided to the commissioner of insurance as  
 10 part of the corporation's rate filing and to the legislative auditor as provided in this  
 11 Paragraph.

12 ~~(3)~~**(4)** Prior to determining any such rates, the governing board shall adopt  
 13 such formulas as may be necessary for determining rates. The board may establish  
 14 rating territories as it deems appropriate. Any changes to the rating territories shall  
 15 be approved by the House and Senate committees on insurance, acting jointly.

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The original instrument and the following digest, which constitutes no part  
 of the legislative instrument, were prepared by Cheryl Horne.

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#### DIGEST

Allain (SB 19)

Present law prohibits the plans made available by the Louisiana Citizens Property Insurance Corporation ("Citizens") from competing with the voluntary market. Further provides that rates set by the governing board of Citizens shall exceed by at least 10% the higher of the actuarially justified rate or the highest rates charged among assessable insurers that have a minimum of 2% of the total direct written premium in each respective parish for that line of business in the preceding year. With respect to personal lines property insurance, excluding wind and hail policies, only, present law provides the rates shall be the highest rates charged among assessable insurers in each respective parish which in the preceding year increased by at least 25 additional personal lines property insurance policies, excluding wind and hail policies, in such parish, the total number of such policies in effect for the parish over the year before.

Proposed law retains present law and adds that the rates set by the governing board of Citizens shall exceed the highest rates charged among assessable insurers that have a minimum of 2% of the total direct written premium in each respective parish for that line of business offered as stand-alone coverage in the preceding year.

Proposed law prohibits Citizens from assessing rate increases in excess of 25% in a single year without approval of the House and Senate committees on insurance, acting jointly. The

joint meeting shall be held within 30 days of the notification from the Citizens board to the committees of the proposed rate increase. Further provides that the chief executive officer and the staff actuary for the corporation shall provide testimony at the joint meeting which specifies, by parish, the basis and methodology used in determining the proposed rate increase. Permits the commissioner to implement the rate increase over a period of two to five years if approved at the joint meeting.

Effective August 1, 2013.

(Amends R.S. 22:2303(A))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Insurance to the original bill

1. Requires the joint meeting of the House and Senate committees on insurance to be held within 30 days of the notification from the Citizens board to the committees of the proposed rate increase.
2. Makes technical changes.
3. Permits the commissioner to implement the rate increase over a period of two to five years if approved at the joint meeting.