

Louisiana Citizens Property Insurance Corporation
Depopulation Process Round 3
For Companies In the Matching Surplus (Bonus) Program
March 15, 2009

Introduction

The Louisiana Legislature created the state's Insure Louisiana Incentive Grant Program to reduce the number of property owners who have insurance coverage through Louisiana Citizens Property Insurance Corporation (Louisiana Citizens), the states insurer of last resort. Under the program, (created by Act 447 of the 2007 Regular Legislative Session) new or existing private insurance companies are encouraged to assume policies currently covered by Louisiana Citizens.

Through this process, Louisiana Citizens can transfer policies back to the private insurance market. This benefits all property owners by preventing or reducing assessments charged to all property insurance consumers.

Timeline and Requirements for Assumption

The assumed files will be transferred to the depopulation insurers on July 1, 2009. The assumption date for Round 3 is April 1, 2009. This is the date when the insurers will assume the approved policies from Louisiana Citizens Property Insurance Corporation. The procedures and dates to effect this assumption are incorporated into the steps below:

Step 1. An insurer must follow the procedures developed by the Louisiana Department of Insurance and make application and receive approval for a Matching Surplus Grant through the Louisiana Department of Insurance. The insurer must adhere to and comply with the requirements set forth in Regulation 82 relative to the Matching Surplus Grant Program.

Step 2. The insurer must provide the Louisiana Department of Insurance Approval Form to Louisiana Citizens evidencing approval of a Matching Surplus Grant.

Step 3. An insurer may request, for purposes of depopulation and subject to an appropriate confidentiality agreement, an initial data file of policies currently in force and eligible for assumption through Louisiana Citizens. All in-force policies will be included except for those currently pending cancellation, or set for non-renewal. Using this data file, the insurer should identify those policies it wishes to take out.

The initial data file will be made available in Microsoft Access format by March 15, 2009. The data will be as of February 28, 2009.

Step 4. After selection of the "take out" policies, in accordance with LSA-R.S. 22:1474, the insurer must secure approval from the current producer to assume the business.

Between April 1, 2009 and June 15, 2009 the depopulation companies will work with producers to seek final agent approval on individual policies.

To facilitate the producer authorization process, Citizens' web portal should be used, which can be accessed through the Louisiana Citizens' website, www.lacitizens.com. Insurers shall access the portal through a secure log in and 'request' the policies they wish to assume. An insurer will not be able to view another insurer's request. The portal will be made available to insurers on April 1, 2009.

This portal will be available to producers on May 1, 2009. Producers shall access the portal through a secure log in, and authorize one company to assume each of their policies. While producers may represent multiple depopulation insurers they should not authorize an individual policy to more than one depopulation company. Producers should not authorize any policies which do not meet the insurer's underwriting standards and should remain with Citizens.

Insurers will have access to the portal to select policies from April 1, 2009 till June 15, 2009, while producers will have access to the portal to authorize policies to insurers from May 1, 2009 till June 15, 2009.

Step 5. Insurers must have their companies' Form A and Rates and Regulations approved and be approved to do business in Louisiana by the Louisiana Department of Insurance, on or before June 1, 2009.

Step 6. Access to the portal to make changes will be terminated on June 15, 2009 - 15 (fifteen) days prior to the policies being transferred to the insurer. LCPIC will examine the data, check to remove any policies that are not in force, and mark the producer approved policies for take out with the appropriate depopulation company. This list will be sent to the companies on or around June 20, 2009.

Step 7. The assuming insurer shall mail a certificate of assumption to each assumed policyholder confirming the assumption. This certificate shall be mailed between June 15, 2009 and June 30, 2009, and the agent should be copied. The certificate needs prior approval of both the Louisiana Department of Insurance and Louisiana Citizens. A separate letter to the insured and producer will also be mailed from Louisiana Citizens, informing them of the assumption.

On June 20, 2009 Louisiana Citizens will issue Assumption Agreements to the depopulation companies covering the selected policies. The assumption agreement must be reviewed and approved by the Louisiana Department of Insurance.

The Assumption Agreements will be back dated to be effective April 1, 2009. While Citizens and their service providers will adjust claims until June 30, 2009, depopulation insurers will be responsible for reimbursement of losses incurred from April 1, 2009 until

June 30, 2009. Losses occurring between April 1, 2009 and June 30, 2009 will be handled to completion by Citizens with oversight from the take out companies. Depopulation insurers will be responsible for the handling of losses on their assumed policies from July 1, 2009.

Louisiana Citizens will continue to renew any assumed policies on their paper until October 1, 2009 when depopulation carriers will provide renewals on their paper.

Step 8. Any policyholder wishing to ‘opt out’ of the assumption and remain with Louisiana Citizens can do so till July 31, 2009. This gives the policyholder thirty (30) days after their policy has been assumed. The producer shall complete and sign the Request to Continue Coverage Form available on our website to effect a policyholder opt out.

Future depopulation rounds will occur and producers will be notified in this manner.

- **Key Points for Producers to Consider**

Producers should have discussions with depopulation companies regarding the following:

- Financial stability of the depopulation insurers
- How coverage forms and rates will compare with Louisiana Citizens. Note that some take out companies’ policies will have coverage limitations not found in Louisiana Citizens policies.
- A key issue in handling renewals will be insurance to value – producers should evaluate any impact of ITV on renewal premiums
- Other products the depopulation insurer will provide or require
- Review of business methods of the depopulation carrier(s)
- Acceptable producer contracts and compensation
- When the depopulation insurer begins to write policies on their paper it is expected they will handle these conversions as renewals; however, this should be reviewed with the insurer