American Insurance Association

American Insurance Association Natural Catastrophe Agenda - To Reduce Loss and Promote Stability -

Hurricane Katrina and the other devastating 2004/2005 storms focused renewed attention on the role of the private sector insurance industry in managing natural catastrophe risk. Fortunately, despite record-breaking losses— and predictions of higher-than-average hurricane activity levels for the foreseeable future— the insurance industry is well positioned financially to manage this risk. However, to do so effectively, insurers must have the tools to measure and reduce catastrophe risk, and the insurance regulatory system must allow rates to reflect the real costs of coastal exposure.

Can the Private Sector Manage Hurricane Risk?

Some insurance companies and insurance regulators promote adoption and growth of state catastrophe reinsurance funds, along with enactment of a federal program to reinsure those state programs. Proponents of "Cat Funds" believe that large-scale natural catastrophes are uninsurable by the private sector and that the government should step in to provide capacity.

The American Insurance Association (AIA) and many others in the insurance industry believe that new government programs are no panacea for natural catastrophe risk, and that such programs can lead to inefficient allocation of capital, unfair subsidization, and increased (and unwise) building in catastrophe-prone regions. Despite record-breaking losses, private sector capacity for dealing with natural disasters has grown and is adequate to spread and manage this risk. Although reinsurance prices have increased, there is no capacity crunch, and even the leading proponents of Cat Funds have secured significant amounts of private reinsurance coverage. As Warren Buffett once told investors at the Berkshire Hathaway annual meeting, "We're willing to lose many billions of dollars in a catastrophe if we think we've been paid adequately for it."

Most fiscal conservatives in Congress and various think tanks do not support new public insurance programs where adequate private capacity exists, such as in this case. Although the insurance system currently is under stress in several Atlantic and Gulf Coast states, the best solution rests in improving, not displacing, the private sector's ability to serve homeowners and businesses who reside in the path of potential storms. The challenge, then, is to identify and advance the positive system changes that will allow natural catastrophe risk to be managed without the establishment of new governmental programs or a bail-out from taxpayers living in less risky areas. Beyond their benefits to the insurance system, many of the reforms outlined below will help to reduce the personal and economic toll of hurricanes and other natural disasters.

This reform agenda includes both federal and state initiatives; some could have an immediate and positive effect, while others provide longer-term benefits. Nonetheless, all should be put in place as quickly as possible. The agenda we have developed to do so consists of four major components:

- **protective measures to keep people out of harm's way and strengthen their ability to withstand future hurricanes;**
- **regulatory and legal reforms to improve the stability of insurers' operating environment;**
- **tax incentives to encourage residents to take more responsibility for hurricane preparation and response; and,**

- **National Flood Insurance Program (NFIP) reforms to assure that NFIP continues to play a vital role in protecting the region from the generally uninsurable risk of flood.**

Although the focus here is on hurricanes, many of the tools described here can be modified to address earthquake risk and other natural perils. However, these tools are insufficient for managing the complex, man-made risk of catastrophic terrorism, because— among other fundamental challenges— there is virtually no meaningful private sector reinsurance or other risk-sharing capital available. Clearly, for terrorism, a federal reinsurance backstop remains a critical component of any long-term solution. More details are provided below.

I. Protective Measures

Hurricane losses can be reduced through mitigation, including effective building codes, policies that encourage retrofitting of existing buildings, and sensible land use planning. From a community perspective, mitigation can make the difference between a community recovering relatively quickly from disaster – with citizens returning to homes and jobs – and a community remaining devastated and economically stagnant for many months or longer. From an insurance perspective, mitigation helps preserve market capacity, reduce solvency risk, and enhance insurer ability to cover more risks (assuming a flexible regulatory environment and stable legal environment).

Strong building codes help reduce deaths, injuries, and property damage from natural catastrophes and more routine property losses. Building codes set minimum safety standards for design, construction, and maintenance of residential and commercial buildings. They are based on established scientific and engineering principles that have been thoroughly tested to ensure safe, predictable building performance in wide-ranging situations. Benefit/cost studies indicate that each dollar spent to comply with stronger minimum code provisions for natural hazard vulnerability reduction results in long-term savings of $3 to $16.

Action Items:

- Strong statewide building codes, with no opt-out features, are needed for the entire Atlantic and Gulf Coasts. Statewide building codes also must stay current and consistent with the latest mitigation technologies. Improvements are needed in the following states: Texas (no statewide code); Mississippi (coastal code with opt-out feature; should be expanded and made mandatory); Alabama (study authorized but no statewide code); Florida (strong code but Panhandle exemption should be removed); Georgia (remove opt-out feature for residential code); South Carolina (provisions that have been weakened should be reinstated); North Carolina (provisions that have been weakened should be reinstated); Delaware (no statewide code); New York (residential provisions need updating); New Hampshire (no residential code); and Maine (no statewide code).
- States can be encouraged to make the necessary changes by proposed amendments to the Federal Stafford Act that would provide higher levels of post-event disaster assistance to states that enact and enforce mitigation plans and strong statewide building codes.

Enforcement of, and compliance with, building codes is critical. Enforcement of building codes is as important as their enactment. Independent studies following Hurricane Andrew revealed that lax code enforcement contributed to total damage. Clearly, training for many new inspectors, as well as contractors, will be needed during the post-hurricane building booms and to implement/enforce new codes.

Action Item:

- State /Federal grants to local jurisdictions should be actively considered. One possible source is FEMA's Pre-Disaster Mitigation Grant Program (PMGP), which could be amended to include use of PMGP funding to train building code inspectors and to ensure proper enforcement of building codes.

Land use planning can help make communities more disaster resistant. Hurricane and other catastrophe risk should be factored into land use planning decisions in order to protect lives and property. Research shows that effective land use planning also helps reduce insured hurricane losses. Half of the Atlantic/Gulf Coast states currently require local governments to prepare comprehensive plans, and five also require consideration of natural disasters in local planning and zoning decisions (Florida, South Carolina, North Carolina, Maryland, and Maine do both). Even in jurisdictions without such mandates, the state could offer guidance to local governments on land use planning, even as a voluntary guideline.

Action Items:

- Texas, Louisiana, Mississippi, Alabama, Georgia, New Jersey, New York, Connecticut, and New Hampshire should enact laws requiring localities to prepare comprehensive land use plans that consider hurricane risk (and other natural disasters); existing mandates in Virginia, Delaware, Rhode Island, and Massachusetts should be expanded to apply to all coastal counties and include natural disaster risk. Another option: conduct a study in each state focusing on land use and zoning issues with respect to natural hazards, leading to specific recommendations for local zoning law changes to better protect life and property in high-risk areas.
- States also should undertake special studies of high hazard lands in their states, with special focus on undeveloped property and land which may be redeveloped. Such plans can explore alternative uses for high-hazard properties and tools that state and local governments can use to better manage growth in high-hazard areas. (Example: Florida's Coastal High Hazard Study Committee, which issued its final report in February 2006.)

Disaster awareness and preparedness can mitigate the negative personal and financial impact of a catastrophe. Natural disasters present a real threat to all individuals and businesses. Having a disaster preparedness plan in place before a disaster strikes can reduce losses, as well as potentially save lives. It also can mean the difference between residents returning to their communities after a disaster or moving to another location, and businesses continuing their operations or closing down temporarily or permanently.

Individuals and families should prepare for disasters by becoming familiar with evacuation routes, locations of emergency shelters, and alternative means of evacuating for those who do not have personal transportation. People living in catastrophe-prone areas should have a list of necessary items (clothing, financial records, medications, and identification) that can be quickly packed for evacuation, a planned route for evacuation, alternatives, and contingency plans for staying with friends, relatives, hotels, or in shelters. Additionally, to help preserve property, homeowners should take routine and low-cost steps to preserve their homes. Examples include securing items outside the house that could contribute to further storm damage, installing storm shutters or plywood, and maintaining fire-proof zones, cleared of combustible vegetation and other materials.

For businesses, the process can be more formal. Every organization should identify their exposures, assess their protection features, and establish a general response strategy before, during, and after an event. A project planning team and emergency response mechanism should be in place. Evacuation procedures should be established, and all employees should be made familiar with evacuation routes. Supplies should be in hand – including sandbags, generators, lanterns, lumber and plywood, and potable water. Also, arrangements should be made in advance with critical suppliers so businesses can continue to operate; in addition, programs to communicate with customers when out of business for any length of time should be put in place.

II. Regulatory Reform

Central to insurers' ability to manage hurricane risk is their ability to predict risk and charge appropriate premiums for bearing such risk. Unfortunately, the political and legal climate in many states includes arbitrary rate suppression, expensive and unpredictable regulatory mandates, legal attacks on contract sanctity, and other regulatory and legal burdens. These must be addressed in order to create a more stable business environment for insurers making a capital commitment to the region.

Risk-based pricing is critical to *any* viable insurance system. Property insurance rates must be based on insurer evaluation of underlying catastrophe risk in hurricane-prone areas. Risk-based pricing, utilizing the best possible scientific information, is essential to insurers' ability to provide protection against hurricanes. Equally important, appropriate pricing encourages loss prevention, thus reducing the individual and societal costs of disasters.

Action Items:

- Given the opportunities for politically influenced rate suppression, all states should repeal requirements for rate approval by state insurance regulators.
- If a free market system cannot be achieved in the short-term, interim measures are essential. One way this might be achieved is by shifting the burden of proof, so that the insurance department must prove that a filed rate is excessive, as was done in a limited manner in Florida (for homes valued at over $1 million). Similar provisions should be put in place for the entire markets in other Atlantic and Gulf Coast states.
- As another interim measure, states also should allow insurers to raise or lower rates by a specified percentage (within a "flex band") without regulatory approval. Flex bands cannot reverse years of rate suppression but work well when rates generally are adequate. The bands must be wide to be meaningful.

Computer-based disaster models help insurers measure catastrophe risk and reduce likelihood of insurer insolvency. Since Hurricane Andrew in 1992, the insurance industry has significantly improved its ability to monitor natural catastrophe accumulations through computer-based models that measure risk on a probabilistic basis using sophisticated simulation techniques. The models are not perfect; Hurricane Katrina prompted some improvements by the major modeling firms. Just as insurers use models to manage catastrophe risk, states should accept their use in the ratemaking process. However, some states remain opposed to models, particularly if they indicate that higher rates are needed for actuarial soundness. Ignoring scientific models is another form of artificial rate suppression that increases subsidization, reduces incentives for mitigation, and ultimately undermines the role of the private sector in managing catastrophe risk.

Action Items:

- All states should allow for the use of computer catastrophe modeling in ratemaking. New York and Georgia, in particular, should remove prohibitions. Specific authority should be granted in the following states: Alabama, North Carolina, Virginia, Maryland, Delaware, New Jersey, Connecticut, Rhode Island, Massachusetts, New Hampshire, and Maine.
- Additionally, steps must be taken to protect the confidentiality of the models. Legislation should be passed which protects business sensitive data, along with admonitory language to prevent political suppression of model-derived rates.

Higher deductibles can make insurance more affordable; tax incentives can help policyholders pre-fund their deductible obligations. Higher deductibles reduce the cost of insurance, conserve insurance capacity, and help focus post-event attention on homeowners who have had a major loss. They also encourage residents to take personal responsibility to mitigate loss (prior to and following a storm) and reduce cross-subsidization by shifting a portion of the risk back to policyholders likely to incur the loss.

Action Items:

- Regulators should not impose restrictions on insurer use of homeowners' insurance deductibles. Currently, most Atlantic and Gulf Coast states allow the use of deductibles up to 5% of insured value (e.g., through the ISO Countrywide Windstorm Deductible rule) However, more flexibility would allow insurers to tailor policies to the specific needs of their policyholders.
- As discussed below, tax incentives can help reduce adverse impacts of higher deductibles in the event of a hurricane loss.

Broad-ranging and shifting post-event regulatory mandates increase insurer uncertainty and divert attention needed to respond to claims. Insurers must have some certainty that, if a major hurricane strikes, they will not be hit with shifting, wide-ranging regulatory mandates of questionable legality. Following Hurricane Katrina, for example, insurers were confronted with literally hundreds of legislative and regulatory mandates that impacted premium collection, underwriting, claims handling, and claims data reporting; most of these mandates varied from state to state. Florida recognized the harm these mandates have on the insurance environment and now Florida law obligates regulators to adopt (through administrative rulemaking) standardized requirements *before* the event that may be applied to insurers *after* a catastrophe.

Action Item:

- All Atlantic and Gulf Coast states should pass legislation similar to that enacted in Florida requiring regulators to use administrative rulemaking to standardize requirements *before* an event occurs; these rules might be applied to insurers *after* a catastrophe, but insurers would be better prepared to comply with them in the post-event environment.

States also should facilitate post-event claims adjustment. While every major hurricane is somewhat unique, a common theme is the need for insurance adjusters to get in quickly and settle claims expeditiously. Yet, there are usually many obstacles in place, such as licensing, and establishment of procedures to facilitate payments. In addition to removing specific obstacles, there should be improved integration of insurers into the planning of post-event responses, in terms of logistics, communications, and coordination with relevant federal and state agencies.

Action Item:

- Following Hurricane Katrina, AIA developed a comprehensive list of reforms needed to facilitate claims adjustment. These reforms should be implemented throughout the Atlantic and Gulf Coast regions. **A more complete list is attached.**

III. Legal Reform

The legal system must preserve the sanctity of contracts. Insurers must have confidence that the insurance policies they write will be upheld following a major catastrophe. "Wind versus Water" litigation brought by the Mississippi attorney general and private plaintiffs and statutory changes to preexisting contractual deadlines in Louisiana epitomize the problem that insurers face in an uncertain legal environment after a catastrophe. Insurers should not be made to pay claims for losses that are beyond the scope of an individual's policy, and for which the policyholder did not pay premiums. If trial lawyers or others are successful in retroactively re-writing insurance contracts, the predictability upon which a healthy insurance system is based is undermined.

Action Item:

- Congress should establish federal court jurisdiction in a centralized federal court for claims arising out of natural catastrophes that reach a specified magnitude (the September 11, 2001 terrorist attack provides a precedent).

Statutes of limitations should not be extended. Post-hurricane extension of the statute of limitations on hurricane claims like those adopted in Louisiana after Hurricanes Katrina and Wilma raise fundamental fairness and due process concerns. Moreover, it becomes harder to settle claims equitably as the parties become farther removed from the event which caused the loss. All insurance policies provide ample time for the filing of hurricane damage claims. Extending the statute of limitations is another attack on the sanctity of contract, in this case, by state legislatures.

Action Item:

- Oppose state actions that would extend the statute of limitations for hurricane claims.

IV. Tax Incentives

Although such a change may not precipitate substantial capacity in the short term, amending U.S. tax laws to permit insurers to establish tax-deferred catastrophe reserves, if designed properly, would have a positive impact on present and future recovery efforts. There are also other ways that federal and state tax policy can enhance affordability and encourage the use of protective measures.

Action Items:

- Enact federal legislation to establish tax-exempt Catastrophe Savings Accounts (CSAs) for individuals (similar to health savings accounts) as introduced by Rep. Tom Feeney (R-FL) in 2006. Qualified expenses would include deductibles, uninsured losses, flood damage and structural upgrades for future storms. This would complement state laws authorizing higher deductibles to keep coverage affordable, while minimizing out-of-pocket costs in the event of a hurricane loss.
- Provide federal or state income tax credits (similar to tax credits formerly provided to encourage energy efficiency) to encourage homeowners and business owners to invest in protective measures that go beyond building code requirements (e.g., hurricane-resistant garage doors, hurricane shutters). Another possibility is state matching grants to encourage homeowners to invest in protective measures, as has been done through Florida legislation.
- States also should create state sales tax holidays for hurricane mitigation and preparedness purchases, or exempt certain items from state sales tax.
- While not an issue in Florida and Louisiana (which already have done so), other coastal states should consider restructuring their residual markets to allow for tax-free build-up of capacity.

V. National Flood Insurance Program (NFIP) Reforms

The NFIP plays a critical role in hurricane preparedness and response. However, the program as currently structured does not cover enough people or provide the level of protection needed by many policyholders. The NFIP must be reformed so that it provides an effective safety net, while encouraging homeowners and businesses to take personal responsibility.

Action Items:

- Among needed NFIP reforms are: introduction of risk-based premiums; expanded program mandates to cover more homeowners in more locations; increases in maximum coverage limits and deductibles; and, policy terms that are more consistent with private insurance. Insurers have developed a comprehensive list of reforms. **A more complete list is attached.**
- Additionally, NFIP must complete its map modernization initiative as soon as possible.

SUMMARY OF FEDERAL ACTION ITEMS

- Amend the Stafford Act to provide higher levels of post-event disaster assistance to states that enact and enforce mitigation plans and strong statewide building codes.
- Amend FEMA's Pre-Disaster Mitigation Grant Program (PMGP) to include use of PMGP funding to train building code inspectors and ensure proper enforcement of building codes.
- Enact administrative and other reforms to facilitate claims adjustment.
- Establish federal court jurisdiction in a centralized federal court for claims arising out of natural catastrophes that reach a specified magnitude.
- Enact legislation to establish tax-exempt Catastrophe Savings Accounts (CSAs) for individuals (similar to health savings accounts).
- Provide federal income tax credits (similar to tax credits formerly provided to encourage energy efficiency) to encourage homeowners to invest in protective measures beyond building code requirements (e.g., stronger garage doors, hurricane shutters).
- Enact NFIP reforms, including introduction of risk-based premiums; expanded program mandates to cover more homeowners in more locations; and an increase in maximum coverage limits, deductibles, and policy terms to be more consistent with private insurance. Insurers have developed a comprehensive list of reforms.
- Complete NFIP map modernization initiative as soon as possible.

SUMMARY OF STATE ACTION ITEMS

- Adopt, and keep up-to-date, strong statewide building codes with no opt-out features.
- Implement and enforce new building codes, including creation of new tools where necessary. State grants to local jurisdictions should be actively considered.
- Enact laws requiring localities to consider hurricane (and other natural disasters) specifically in their land use plans or, at a minimum, provide voluntary guidance. Option: study land use and zoning issues with respect to natural hazards and create specific recommendations to change local zoning laws in high-risk areas.
- Undertake special studies of high-hazard lands, focusing on undeveloped property and land that may be redeveloped. Explore alternative uses for high hazard properties and tools that state and local governments can use to better manage growth in high-hazard areas. (Example: Florida's Coastal High Hazard Study Committee)
- Repeal current requirements for rate approval by state insurance regulators.
- If a free market system cannot be achieved in the short-term, shift the burden of proof so that regulators must prove that a filed rate is excessive, as was done in a limited manner in Florida (for >$1 million homes). Similar provisions should be put in place for the entire market.
- Create a flex band that allows insurers to raise/lower rates by a specified percentage without regulatory approval.
- Enact statutory pronouncements allowing the use of catastrophe modeling in rate making and protecting business sensitive data, along with admonitory language to prevent political suppression of model-derived rates.
- Revise requirements in states that require insurers to use a "standard" homeowners insurance deductible to allow more flexibility. Repeal requirements for "buy-back" options for insurers that mandate higher deductibles.
- Enact tax incentives to help reduce adverse impacts of higher deductibles in the event of a hurricane loss.
- Enact legislation requiring regulators – through administrative rulemaking – to standardize requirements *pre*-event that may be applied to insurers *post*-disaster.
- Enact administrative and other reforms to facilitate claims adjustment.
- Oppose extending the statute of limitations for hurricane claims.
- Provide tax credits to encourage homeowners to invest in protective measures going beyond building code requirements (e.g., hurricane-resistant garage doors, hurricane shutters).
- Create state sales tax holidays for mitigation and preparedness purchases, or exempt certain items from state sales tax. Option: state matching grants to encourage homeowners to invest in protective measures.
- Restructure residual market to allow tax-free build-up of capacity.

NATIONAL FLOOD INSURANCE PROGRAM: SHORT LIST OF REFORMS SUPPORTED BY AIA

Inclusion of Deadlines for FEMA Responsibilities and Implementation of 2004 Reform Act – This includes the appeals process; minimum training and education requirements; mitigation programs; and a report to Congress on the implementation of the 2004 reforms.

Increase Coverage Limits - Increase maximum dwelling coverage limit from $250,000 to $335,000 for residential and from $500,000 to $670,000 for non-residential/commercial structures. Increase maximum contents coverage from $100,000 to $135,000 for residential and from $500,000 to $670,000 for non-residential/commercial.

> *Rationale* - The NFIP maximum limits have not been increased since 1994, yet labor and materials costs have increased significantly since that time. In addition, unlike a typical homeowners insurance policy, there is no automatic contents coverage. One benefit to the Program could be an increase in premiums collected, which will help maintain the Program's cash flow and solvency assuming coverage is offered at actuarially appropriate rates.

Consider Increasing Deductibles – Under the current program, the lowest deductible for structures and contents is $500, and can be increased to $1,000.

> *Rationale* – In the voluntary market for homeowners and commercial property insurance, there has been a trend toward increasing minimum deductibles, especially in catastrophe-prone areas. Increasing the minimum deductible could have many positive effects. First, it helps to increase capacity to write additional business. Second, by increasing the share of the risk that the policyholder assumes, there is a greater incentive for the policyholder to engage in mitigation efforts. Third, higher deductibles help keep premiums lower.

Shorten the Waiting Period – Currently, there is a 30-day waiting period between the time the policy is purchased until the coverage kicks in. Congress should consider shortening this to ten or 15 days.

> *Rationale* – The public policy rationale for instituting a waiting period is to avoid adverse selection. For example, the program should not allow a policyholder to purchase a flood insurance policy for a loss that is inevitable. Prior to 1994, there was a five day waiting period on the flood insurance policy. This was increased to 30 days after it was discovered that many homeowners stopped engaging in measures intended to prevent damage to their homes (i.e., sandbagging) resulting from the Great Midwest Flood of 1993. Shortening the waiting period could remove a disincentive to program participation.

Consider Creating a "Deluxe" Flood Insurance Policy – Such a policy, that could be available for an extra premium, could include the following features: (1) alternative living expense coverage, set at a percentage of the structure limits, including lost rental income for rental properties; and (2) replacement cost coverage for personal property, if the policyholder is eligible for replacement cost on the structure and insures the structure to at least 80% of its value.

Rationale – Some consumers may believe that the current flood policy does not provide meaningful coverage. Some, however, believe that premiums for the coverage currently available are too high. By making an additional "deluxe" flood insurance policy available, the NFIP would be providing consumers with additional coverage options, the program may be more attractive to some consumers. In addition, the NFIP would generate additional premium dollars on the front end, which could help improve cash flow and preserve solvency.

Inclusion of Business Interruption Insurance as an option to commercial policies

Rationale - If a catastrophe, such as a flood, causes a business premises to be temporarily unusable, that business may have to relocate or even close down temporarily. Business owners are still required to pay employees, mortgages, leases and other debts during this process, and these ongoing expenses can mount up quickly for a business that has reduced income--or no income at all. For commercial insurance policies, business interruption insurance provides protection against the loss of profits and continuing fixed expenses resulting from an interruption in commercial activities due to the occurrence of a peril.

Typically, business interruption insurance is part of a package or added when purchasing property insurance, and it is directly associated with standard commercial fire policies. A business will be covered for profits they would have earned during the time they are unable to conduct business. This is generally based on the financial records of the company. The policy will also typically cover expenses the business still has to pay even though they cannot resume normal operations, such as the rent or phone.

The inclusion of an optional business interruption provision will provide stability to the local economies in the areas affected by flood damage, and will offset government disaster relief payments should the flood peril result in widespread destruction across a region. The pricing structure for such an endorsement can involve a more actuarial-based system in order to lessen taxpayer burden.

Increase annual elasticity band for premium increases beyond current 10% maximum per year

Rationale - By statute the NFIP cannot increase annual premiums by more than 10% per year. For over two decades this has sustained an even checks-and-balance in the program, with the amount paid out in claims corresponding with the amount brought in. However, given the substantial increases in NFIP borrowing authority and the requirement that this money be paid back with interest, the NFIP needs to consider additional mechanisms for recouping losses. Increasing the annual premium restriction would likely result in a nominal difference in premium prices while at the same time generating a revenue stream for rectifying the program's indebtedness to the U.S. Treasury.

Mandatory purchase of flood insurance within the 100-year natural floodplain – Homeowners within the "natural" 100-year flood plain should be required to purchase insurance for their outstanding mortgage balance, up to a maximum of $250,000 in coverage for single family homes [and up to a maximum of $500,000 for businesses]. FEMA would maintain the discretion to price premiums based on local factors including mitigation.

Rationale – There is sufficient probability of flooding within a 100-year flood plain to mandate all homes [and businesses] carry flood insurance, and not just homes with mortgages owned or serviced by federally-regulated institutions.

Require the GAO to Study Mandates and Other Issues – The Government Accountability Office should study how increasing participation in the NFIP might affect the program. Specifically, the GAO should consider an actuarial study on how changes in mandatory purchase requirements are likely to affect program participation. Changes that could be studied could include requiring homeowners who live in a 250- or 500-year flood zone, as opposed to a 100-year flood zone, to purchase flood coverage from the federal government; and requiring homeowners with all federally-backed mortgages who live in any flood zone to purchase flood coverage in an amount equal to the lesser of the mortgage amount, or the replacement cost of the home. In addition, the GAO should study the impact of amending the flood policy to provide for replacement cost on contents. Finally, the GAO should study options for more simplified rating and pricing of the flood insurance policy.

Rationale – Before mandating increased participation in the program, for example, by requiring all mortgagees in designated flood plains to purchase federal flood insurance in an amount equal to the lesser of the mortgage amount, or the replacement cost of the home, or by requiring those in a one in 250-year or one in 500-year flood plain purchase this coverage, the GAO should study how these mandates are likely to affect participation, pricing, and the integrity of the program. It may well be that increased participation could increase risk spreading, decrease adverse selection, and perhaps reduce premiums. But before any such changes are made, a study, with the input of actuaries knowledgeable about the NFIP, makes sense. The GAO should also study the impact of moving toward replacement cost coverage for contents, and how to implement more simplified rating and pricing of the flood policy.

Provide Funding for Map Modernization – Funds should be appropriated to expedite completion of the map modernization initiative.

Rationale – Every year, a significant percentage of flooding occurs in areas outside of designated flood plains. Modernization of flood zone maps is therefore critical.

Consider an escrow payment system for mandatory purchases similar to the current structure for homeowners' insurance or property taxes

Rationale - The rationale for using an escrow payment schedule is intended to make the payment burden for flood insurance premiums as seamless as possible for policyholders. As an alternative structure to lump-sum annual payments, escrow allows the insured to pay on a monthly basis along with their mortgage payment. The annual premium is divided into 12 installments, placed into an escrow account, and paid directly to FEMA by the mortgage company in a fashion similar to the payment of property taxes and homeowners' policies. Since mortgage companies already have the infrastructure in place to collect and distribute premiums for other financial responsibilities, the inclusion of flood insurance to this system would appropriately dovetail with the current system and assist in the life-of-loan tracking should the loan be refinanced or sold on the secondary market.

CLAIMS ADJUSTMENT SUGGESTIONS TO EXPEDITE HURRICANE RECOVERY

Every year, property-casualty insurers respond to numerous disasters with speed and efficiency, and more often than not are the primary funding source for community recovery. With their extraordinary experience, insurers usually perform this role with little or no assistance from outside their industry. However, major catastrophes pose logistical challenges that can require federal and/or state assistance.

While every major hurricane is somewhat unique, a common theme is the need for insurance adjusters to get in to the storm zone quickly and settle claims expeditiously. Many obstacles arise, such as access to the hardest hit areas, adjuster licensing, and establishment of procedures to facilitate payments to storm victims. Now is the time for all Atlantic and Gulf Coast states to establish legal, regulatory and operational tools to enable insurance claims teams to serve policyholders following future catastrophic hurricanes. As a procedural matter, there should be improved integration of insurers into the planning of post-event responses, in terms of logistics, communications, and coordination with relevant federal and state agencies

The following suggestions for federal and state authorities could facilitate post-hurricane claims adjustment.

Federal Initiatives

1. NFIP Flood Claims Procedures

Problem: While the claims adjustment procedures required by the National Flood Insurance Program of "Write Your Own" (WYO) private insurance companies may be unexceptional when there are relatively few losses to handle, they amount to an unnecessary drain on critical resources (adjusters) when losses are numerous. For example, when a structure is obviously and glaringly a total loss, an adjuster still has to spend many hours fulfilling all NFIP requirements for documentation, etc. If insurers must continue to follow existing NFIP procedures, many disaster victims will have a needlessly long wait for the funds they need to rebuild their lives, homes and businesses.

- **Action Item:** Several weeks after Katrina, FEMA streamlined the NFIP adjustment procedures, but only for Katrina-related claims. These modified procedures should be extended to apply to all NFIP claims after a major hurricane. NFIP claims procedures are not embedded in law; we believe the NFIP Administrator has authority to implement this recommendation via administrative order or regulations.

  Federal Agency: FEMA

2. Adjuster Access to the Disaster Area

Problem: Major hurricanes can cover several states, involving many municipalities and counties within each state. Insurer response is slowed appreciably if each governmental unit makes its own determination about when adjusters will be granted entry to the affected areas.

- **Action Item:** FEMA should implement procedures to quickly work with state and local authorities so that properly credentialed adjusters can enter and move through disaster areas. Ideally, one identification document or badge could be distributed/used by all adjusters, issued either by FEMA or state officials.

  Federal Agency: FEMA

3. Damage Assessment

Problem: Both to assess their own financial exposure and to speed claim payments, insurers need to visually assess damaged areas. Until adjusters can access and inspect the properties of their customers, the only option is to view damage from the air. However, the airspace over the most devastated areas may be restricted.

- **Action Item:** The Federal Aviation Administration or FEMA should establish procedures to allow insurers, individually or jointly, to charter helicopters to fly over disaster areas following a major catastrophe, consistent with potential security needs and rescue operations.

  Federal Agency: Federal Aviation Administration or FEMA

4. Benefit Payments to Disabled Workers

Problem: Thousands of individuals disabled by work-related injuries and illnesses unrelated to hurricanes rely on workers' compensation checks from insurers as their sole source of income. Following major disaster, postal service may be suspended in the affected area; as a result, these disabled people have no way to receive their income checks – affecting both state workers' compensation and federal Longshore Act payments.

- **Action Item:** In the past, the Social Security Administration and Veterans Administration, facing the same problem as insurers, have arranged for their beneficiaries to be able to collect their monthly checks at post offices that are still operating. Procedures should be put in place to have the same arrangements apply to other insurance checks.

  Federal Agency: Department of Labor, Postal Service

5. Mortgagees and Lienholders

Problem: Many, if not most, homes, businesses and vehicles damaged in a disaster are carrying a mortgage or a lien from a lender. Insurers are required to protect the interests of mortgagees and lienholders by naming them on the insurance policy, and customarily by including their names on claim payment checks. Mortgages and other loans are bought and sold constantly and rarely is the lender local to the property. Getting a mortgagee or other lender to endorse a claim check so the insured can deposit it and get rebuilding started can be a cumbersome, time-consuming task for the policyholder (delays of 30 days or 60 days are not uncommon). If insurers unilaterally leave off the mortgagee or lender from the claim check, they face the very real possibility of having to pay the claim twice.

- **Action Item:** Federal banking regulators should require mortgagees and other lenders to grant a waiver following a major natural disaster – specifically to permit insurers to issue checks solely to their policyholders if the amount does not exceed a particular threshold (e.g., 25% of the loan) and relieving them of the exposure of double payment in the event that the policyholder fails to repair the damages. For vehicles that have been completely destroyed, lenders also could be directed to release the original title promptly (e.g. within 7 business days), so that insurers can quickly dispose of the salvage.

  Federal Agency: Housing and Urban Development, Office of the Comptroller of the Currency, Department of the Treasury

State Initiatives

1. Adjuster Licensing

Problem: Independent adjusters handle claims for insurers, but are not their employees. These adjusters provide the extra claims handling capacity insurers vitally need when facing a huge influx of losses after a disaster. Coastal states should have regulations in place to quickly accommodate adjusters that must be brought in from other states after a hurricane.

- **Action Item:** State departments of insurance should establish fast-track procedures for licensing or simply registering independent adjusters following a major hurricane.

  State Agency: State Departments of Insurance

2. Contractor Licensing

Problem: In-state construction companies are unlikely to be able to handle the rebuilding or even the temporary repairs needed for homes and businesses following a catastrophic hurricane. Out-of-state contractors will be needed. The same is true with engineers and architects.

- **Action Item:** Appropriate state agencies need to create expedited licensing systems for out-of-state contractors, engineers and architects that are properly licensed and insured in their home states.

  State Agency: Various

3. Price Gouging and Fraud

Problem: After disasters, the price of virtually all building and construction supplies increase, often stratospherically. Most of the time, prices come down within a few weeks, but after major disasters the opportunities for price gouging are greatly prolonged. Similarly, hucksters come out of the woodwork after a disaster. For example, people claiming to be contractors take money from homeowners to do repairs and then are never seen again. Insurance fraud also proliferates after a disaster. The last thing that policyholders in the affected areas need is to bear the extra costs of gouging and fraud by contractors and other opportunistic individuals/businesses.

- **Action Item:** State Attorneys General should put in place procedures to vigorously prosecute those who seek to unduly profit from their devastated citizens.

  State Agency: State Attorneys General

4. Public Adjusters

Problem: Some claimants hire "public" adjusters to represent them to their insurance company. Public adjusters usually are paid by taking a percentage of the total amount the insurer pays on the loss. After a disaster, property owners are emotionally very vulnerable, and abuses by public adjusters are very possible.

- **Action Item:** All States should enact public adjuster licensing laws applicable to claims handled by public adjusters, regardless of cause. The following coastal states have no laws on the subject, or very weak laws: Mississippi, Virginia, Maryland, Massachusetts, and Maine. At a minimum, the state department of insurance should issue regulations for public adjusters that cap their fees; provide a 72-hour "cooling off" period for the policyholder to rescind the contract; require public adjuster contracts to disclose that the policyholder could be held responsible for misstatements in claim forms submitted by the public adjuster on the policyholder's behalf; and require disclosure by a public adjuster of any financial interest, including kickbacks, that the public adjuster may have in the rebuilding process.

  State Agency: State Departments of Insurance

5. Auto Titling & Salvage

Problem: A catastrophic hurricane can cause massive vehicle flooding, leading to a huge volume of auto total losses requiring expeditious disposal of salvage, both for financial and public health and safety reasons. Delays appreciably increase insurer costs for storing the vehicles and decrease salvage returns.

- **Action Item:** Nine Atlantic/Gulf Coast states have laws to help prevent flooded vehicles from being sold with "clean" titles. Such laws are needed in Mississippi, Alabama, North Carolina, Delaware, Connecticut, Rhode Island, Massachusetts, New Hampshire, and Maine.

Alternatively, Congress should enact legislation requiring all vehicles once branded as a "total loss" or "flooded" vehicle must carry that brand on all subsequent titles, regardless of the issuing state. This would greatly reduce the incidence of scam artists selling flooded vehicles to unsuspecting consumers.

6. Mediation

Problem: Catastrophic hurricanes generate many hundreds of thousands of claims. No matter how well things go, there are bound to be disputes, and litigating those disputes should be a last resort.

- **Action Item:** Dealing with disputes efficiently and quickly saves money for both insurers and policyholders, and keeps the rebuilding process proceeding apace. We recommend well-designed mediation programs, under regulatory auspices, both for disputes between insurers and their customers, and between contractors and either insurers or property owners. Rather than attempting to develop mediation programs after a hurricane, all Atlantic and Gulf Coast states should develop effective mediation programs in advance of future storms.

American Insurance Association

Building Codes and Loss Mitigation:
A Key Component of Catastrophe Risk Management

In the aftermath of the 2004/2005 hurricane season, questions were being asked about the private insurance industry's ability to manage natural catastrophe risk in the absence of new state and federal programs (e.g., catastrophe funds or "Cat Funds"). Fortunately, despite record-breaking losses, the private insurance industry can manage this risk.

To facilitate private sector solutions, Congress and the states should be more proactive in helping reduce and manage catastrophe exposures through creation and enforcement of strong building codes and other loss mitigation measures, allowing insurers to use computerized catastrophe modeling to measure risk, and supporting well-constructed insurance regulatory environments that foster competition among insurance companies.

This paper focuses on the importance of building codes and other loss mitigation measures as a key component of catastrophe risk management. Every significant natural disaster risk impacting the U.S. – including hurricanes, earthquakes, wildfires, winter storms, hail storms, and flooding – lends itself to mitigation. Additional information on this important topic is available through the Institute for Business and Home Safety (IBHS), a nonprofit association supported by the insurance industry and dedicated to reducing deaths, injuries, property damage, economic losses and human suffering caused by natural disasters (www.ibhs.org), or the Federal Alliance for Safe Homes (FLASH) (www.flash.org).

Mitigation reduces catastrophe losses. Most natural catastrophe losses can be reduced through loss mitigation, including effective building codes, policies that encourage retrofitting of existing buildings, sensible land use planning, and other techniques, such as creation and maintenance of brush-free zones in populated areas prone to wildfires. From a community perspective, mitigation can make the difference between a community that is able to recover relatively quickly from a disaster, with citizens being able to return to their homes and jobs, versus a community that is devastated and economically stagnant for many months or longer. From an insurance perspective, mitigation helps preserve capacity, reduce solvency risk, and enhance insurer ability to cover more risks (assuming a flexible regulatory environment and a stable legal environment).

Strong building codes help reduce deaths, injuries, and property damage from natural catastrophes and more routine property losses. One of the most important elements of loss mitigation is the enactment and enforcement of strong building codes. Building codes set minimum safety standards for the design, construction, and maintenance of residential and commercial buildings. They are based on established scientific and engineering principles that have been thoroughly tested to ensure safe and predictable building performance in wide-ranging situations.

Although the construction industry may cite concerns about higher building costs, stronger codes are cost-effective in the long run. According to IBHS, benefit/cost studies indicate that each dollar spent to comply with stronger minimum code provisions for natural hazard vulnerability reduction results in long-term savings of $3 to $16.

Similarly, a study by the modeling firm Applied Insurance Research (AIR) looked at a repeat of Hurricane Andrew; however, the study assumed that all structures within the exposed area of south Florida had been built to the standards of the Florida building code implemented in 2000-01. The study found that Hurricane Andrew losses would have been <u>40% less</u> under this scenario. The impact of hurricanes in Florida since that time have demonstrated that these savings are, in fact, real and perhaps even more impressive when losses from pre-code and post-code structures are compared.

<u>All states should have comprehensive, statewide building codes.</u> The most effective way to assure that all citizens benefit from strong building codes is through enactment of statewide building codes. At least 21 states have statewide codes for residential construction, including building codes enacted in Louisiana less than three months after Hurricane Katrina. A number of other states have codes governing building in specific cities or counties; however, this approach can leave significant gaps, particularly as residential development moves to outer suburbs and rural areas.

Statewide codes are the most effective approach because they provide a single standard rather than a patchwork of regulations among jurisdictions. They also can promote better training and better understanding of code provisions by developers, builders, subcontractors, building materials manufacturers, and building officials, leading to better enforcement and compliance.

Even within a statewide building code, it sometimes makes sense to have more stringent provisions in specific high-hazard zones, such as a coastline vulnerable to hurricanes or an earthquake fault zone. It is more problematic when the codes allow individual jurisdictions to deviate from the statewide code by weakening specific code standards that relate to risks threatening residents throughout the state.

<u>Enforcement of, and compliance with, building codes is critical.</u> Once strong building codes are enacted, state and local governments must make rigorous enforcement a high priority, through adequately trained and appropriately funded building plan review and inspection departments. According to IBHS, independent studies following Hurricane Andrew and the Northridge earthquake revealed that lax code enforcement contributed to total damage. Setting permit fees at levels that will support strict enforcement, and following up with appropriate oversight, are the best ways to assure that the value of good building codes is fully realized.

<u>Land use planning can help make communities more disaster resistant.</u> Land use planning is the process communities use to identify appropriate and compatible uses for land within their jurisdictions. From a mitigation perspective, natural hazards should be factored into land use planning decisions in order to protect lives and property, particularly in areas vulnerable to hurricanes, earthquakes, and urban wildfires. State and local agencies should work with the private sector to assure that land is developed and redeveloped in a manner that does not put people at risk. Additional information on land use planning is available through the American Planning Association/American Institute of Certified Planners (www.planning.org).

Land use planning also plays a critical role in the administration of the National Flood Insurance Program (NFIP), whose critical features include community flood plain management and elevation of structures above known flood hazard zones. These provisions go beyond local/state land use planning, but underscore the benefits of planning and mitigation to disaster resistance.

Educational programs can enhance the benefits of building codes and land use planning.
Educational programs can help homeowners and business owners take additional steps to mitigate natural disaster losses, such as retrofitting windows, installing storm shutters, maintaining brush free zones, and preventing ice damming/winter freeze losses. Such measures enhance the durability of the existing building stock, which building codes and land use planning generally cannot impact.

Building codes and other loss mitigation measures are key components in preparation for, and response to, natural catastrophes. Although these measures cannot prevent nature's fury, they help save lives and limit destruction. Property-casualty insurers strongly support effective mitigation as a means of enhancing the insurance industry's ability to help communities protect themselves.

http://digital.olivesoftware.com/Olive/ODE/APress/

American Press-Lake Charles, La.
November 9, 2010

Editorial: Citizens Insurance shows progress

Citizens Insurance, the state's insurer of last resort, is continuing to make good progress moving policies to the private market.

The nonprofit agency was a financial basket case following hurricanes Katrina and Rita in 2005. But one of the best moves Louisiana made after that catastrophic year was to encourage free market solutions, instead of punishing private companies and taking over more of the market. The company is mandated by the state to be more costly to encourage policy-holders to move to the private sector as soon as they can. It also gives private insurers incentives to assume Citizens policies.

Vijay Ramachandran, vice president of the Louisiana Citizens Property Insurance Corp., told the company's board of directors that five private insurers have expressed an interest in taking about 40,000 policies off Citizens' books. He said when duplicate requests and other factors are figured, "15,000-plus policies could be taken out." If that is the case, the number of Citizens policies would be about 117,000, the lowest in years, officials said.

Last year, Ramachandran said, four companies assumed about 4,300 Citizens policies. He said so far this year, insurance agents have agreed to take over between 5,700 and 5,800 policies. Companies will have to decide this month which policies they want to take away from Citizens.

Ramachandran said some of the larger insurers, like State Farm, have eased restrictions, allowing more of their own company agents who write Citizens policies to turn their policies over to a handful of other firms seeking the business. The new companies take over the policies on Dec. 1, but policy-holders have 60 days to decide whether they want to stay with Citizens or transfer to three new insurers.

All but 5,836 Citizens policies are individual homeowners policies. The 5,836 are commercial property policies.

Steven Cottrell, Citizens' chief financial officer, said the financial health of the company remains good as the end of the hurricane season nears. Cottrell said that as of the end of September, Citizens' books showed a $33 million profit. He said by the end of the year, the company should finish with an operating profit of $40 million to $45 million.

The Citizens model is a good way to boost the private market, while still offering a necessary tool for people who have no other option.

http://www.2theadvocate.com/news/110290114.html

The Advocate- Baton Rouge, La.
November 24, 2010

Citizens policies drop again
Advocate staff report

The private insurance market has assumed another 13,500 policies previously held by Louisiana Citizens Property Insurance Corp., the state-backed insurer of last resort whose policies spiked after hurricanes Katrina and Rita in 2005.

In the aftermath of the hurricanes, Citizens' policy count jumped to 174,000 policies in 2008, Louisiana Insurance Commissioner Jim Donelon said in a news release. With the removal of these 13,500 policies from its books, Citizens total will drop to 119,000, he said.

Citizens insures property owners who can't find policies through traditional insurers.

Donelon said the latest round of "take outs" by private insurers should drop Citizens below a 6 percent market share in the state and rank it either fifth or sixth in size of market share.

In 2009, Citizens held 6.4 percent of the Louisiana homeowners market, an amount lower than its market share on the day before Hurricane Katrina in August 2005. That share placed Citizens third in terms of size of the market in 2009.

"The reduction in market share of Citizens is a great indicator that the homeowners insurance market, as well as the commercial property insurance market, in Louisiana is rebounding from the severe hit we suffered as a result of hurricanes Katrina and Rita," Donelon said.

Citizens' "depopulation" efforts have been aided by state grants to entice private insurers to take over the policies. Some private insurers that didn't take part in the incentive program have also assumed Citizens' policies.

In the three previous rounds of Citizens depopulation, Citizens saw the following reduction in policy counts: 26,595 policies on June 1, 2008; 13,343 policies on Dec. 1, 2008; and 3,368 policies on April 1, 2009.

Donelon said the reduction of Citizens' policies benefits all property owners by preventing or reducing future assessments that could be charged to all property insurance consumers in Louisiana.

Property owners are helping pay off the $1 billion Citizens had to borrow to pay claims from Katrina.

Another benefit for Louisiana property owners is that policies taken out of Citizens and written in the private insurance market will be written at lower premiums, Donelon said. This is because the rates charged by Citizens are required by law to be the highest rates in a parish. Many policyholders have lowered their premiums by hundreds, even thousands, of dollars after being written by a private insurance company instead of Citizens, Donelon said.

http://www.nola.com/business/index.ssf/2010/12/citizens_insurance_sheds_more.html

The Times-Picayune-New Orleans, La.
December 1, 2010

Citizens Insurance sheds more policies
By Ed Anderson

A total of 13,466 mostly homeowners policies insured by Louisiana Citizens Property Insurance Corp. will be turned over to four private-sector companies, leaving about 119,000 policies with the state-run insurer of last resort, insurance officials said Tuesday.

"This is a little more than we anticipated," said Citizens Chief Executive Officer Richard Robertson. "We were hoping to have 7,000 to 8,000 taken out."

Insurance Commissioner Jim Donelon said the policyholders now have the option to go to the new company, usually at a lower premium than Citizens, or remain with the state insurer. "Ninety-nine percent go with the take-out company" Donelon said.

The new companies will assume the policies when they come up for renewal, Donelon said. Donelon said that with the removal of the policies by four out-of-state insurance companies, the Citizens book of business will stand at 119,000, down from 174,000 in the aftermath of Hurricanes Katrina and Rita in 2005.

The most policies taken off of Citizens' books came during the first round of solicitations of private companies in June 2008 when 26,595 were taken. The present round is the second highest number removed, Donelon said, slightly ahead of the 13,343 taken away from Citizens in December 2008.

Private companies in April 2009 removed 3,368 from the Citizens pool.
That means since 2008, 56,772 state-insured policies have been placed with private insurers, usually at lower premiums, officials said.

Citizens now has less than 6 percent of the homeowners market in the state, ranking it fifth or sixth largest, Donelon said. At one point a few years ago, Citizens was the third largest homeowners insurer with almost 8 percent of the market.

The 13,466 policies removed in the latest round by four insurance companies means Citizens has shed about 10 percent of its policy load, Donelon said.

He said there is still some room for future reductions from Citizens' books since 32,000 policies had been sought in the latest round. He said agents or companies decided against taking that many but those polices could be in play in a possible future round.

Donelon said he is "very encouraged by these numbers, and I believe they indicate significant improvement in the recovery of the Louisiana property insurance market. The reduction in market share of Citizens is a great indicator that the homeowners insurance market, as well as the commercial property insurance market, in Louisiana is rebounding from the severe hit we suffered as a result of Hurricanes Katrina and Rita."

Robertson said most of the policies will be assumed by two of the four companies who participated in the latest round.

Southern Fidelity Insurance of Tampa, Fla., will assume about 8,000 policies, he said, and Lighthouse Property Insurance Co. of Long Island, N.Y., will take over about 5,300.
"The message here is that these take-out companies are feeling there is good business in Louisiana Citizens' policies," Robertson said.

American Press- Lake Charles, La.
December 13, 2010

Citizens Insurance operating well

Louisiana Citizens Property Insurance Corp. continues to carry out its mission of insurer of last resort while facilitating the ability of policyholders to obtain property insurance from private insurers and encourage the depopulation of the company.

Citizens is legislatively mandated to be more costly than private insurance, which has the desirable impact of encouraging expansion of and competition among private companies.

The state's insurer of last resort recently reported another encouraging depopulation of its policies to the private sector.

Citizens reported that it will turn 13,466 policies, most of them homeowner's policies, over to four private insurance companies. That will leave about 119,000 policies with the state insurer.

"This is a little more than we anticipated," Citizens Chief Executive Officer Richard Robertston told the Times-Picayune of New Orleans. "We were hoping to have 7,000 to 8,000 taken out."

Insurance Commissioner Jim Donelon said those Citizens policyholders still have the option of staying with the state insurer, but since they can usually get a lower premium in the private sector, 99 percent of them go with the takeout company.

Citizens' book of business is down from 174,000 since Hurricanes Katrina and Rita hit in 2005, Donelon said.

Citizens now has less than 6 percent of the homeowners market in the state, which ranks it at fifth- or sixth-largest, Donelon said. That is down from it being the third-largest with 8 percent of the market.

With this latest round of removals, Citizens has reduced it policy load about 10 percent, Donelon said.

Southern Fidelity Insurance of Tampa, Fla., will assume about 8,000 policies, and Lighthouse Property Insurance Company of Long Island, N.Y., will take about 5,300.

"The message here is that these take-out companies are feeling there is good business in Louisiana Citizens' policies," Robertson reportedly said.

This is good news for all Louisiana property owners, since they are helping to pay off the $1 billion Citizens had to borrow to pay claims from Katrina.

Louisiana property owners also benefit from the Citizens depopulation because it expands the private market and encourages competition.

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