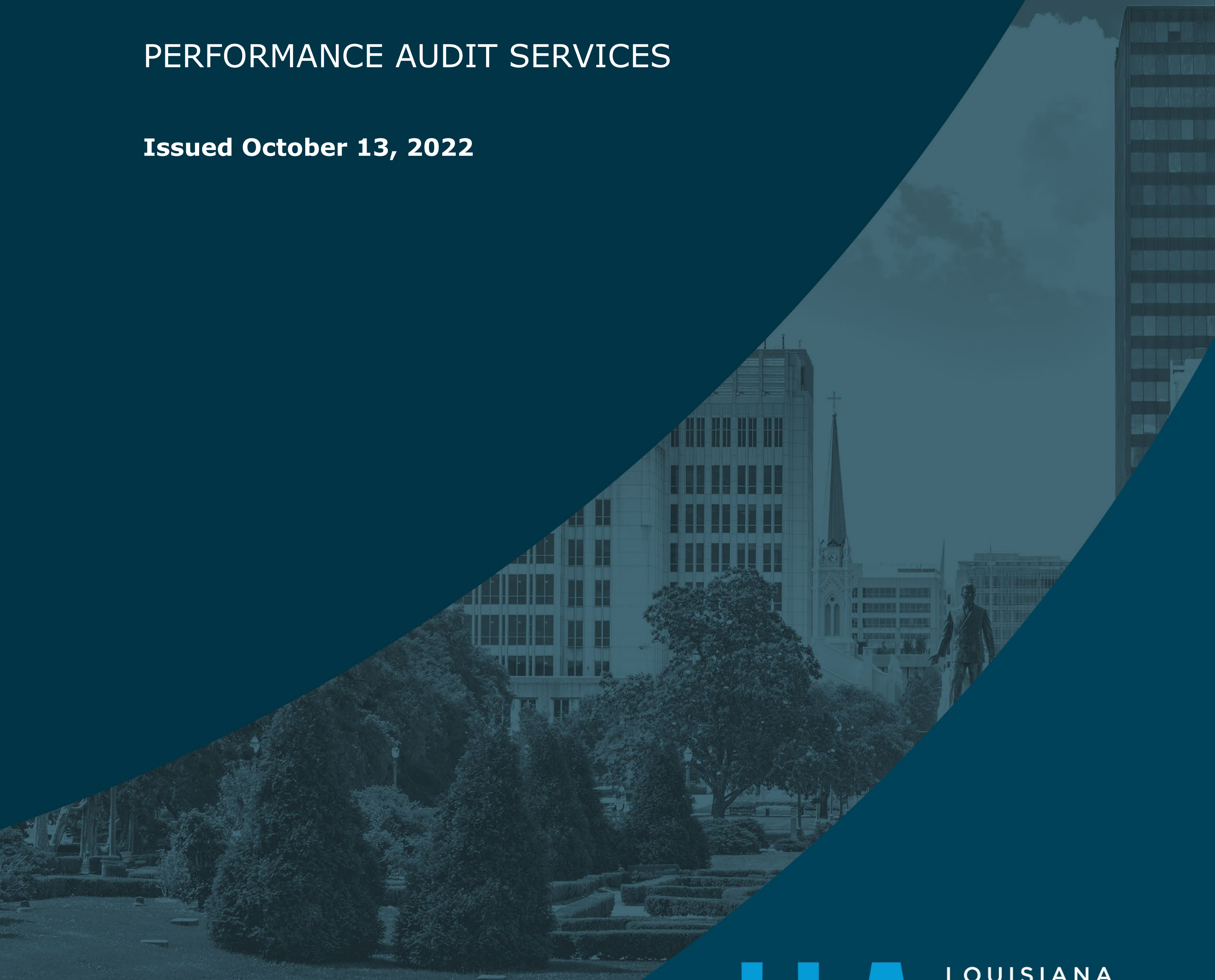
FINANCIAL CONDITION OF THE RESIDENTIAL PROPERTY INSURANCE MARKET

LOUISIANA DEPARTMENT OF INSURANCE

PERFORMANCE AUDIT SERVICES

Issued October 13, 2022



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LOUISIANA LEGISLATIVE AUDITOR

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LOUISIANA LEGISLATIVE AUDITOR

October 13, 2022

The Honorable Patrick Page Cortez,
President of the Senate
The Honorable Clay Schexnayder,
Speaker of the House of Representatives

Dear Senator Cortez and Representative Schexnayder:

The purpose of this report was to provide information on the residual effects when residential property insurance companies become financially insolvent or voluntarily leave the market and to evaluate the Louisiana Department of Insurance's (LDI) activities to monitor the financial condition of insurance companies.

Overall, 11 insurance companies became financially insolvent between July 2021 and September 2022, six of them because they did not have adequate reinsurance for Hurricane Ida. Other insurance companies have left the residential property market or are not writing new policies because of the impacts of the calendar year 2020 and 2021 hurricanes, the perceived risk or exposure to potential losses in Louisiana, and/or the inability to obtain reinsurance.

We found that, as a result of the insolvencies, the cost of claims and premium refunds paid by the Louisiana Guaranty Insurance Association (LIGA) rose from approximately $4.8 million in 2020 to about $268.1 million in the first eight months of 2022, because LIGA had to assume the claims of these insurance companies. LIGA also had to assess insurance companies and obtain approval to borrow money to cover the cost of the claims and premium refunds.

We found as well that the 11 insolvencies and the departure of other insurance companies increased the number of policies held by Louisiana's insurer of last resort – the Louisiana Citizens Property Insurance Corporation (Citizens). According to Citizens, it may not have adequate reinsurance to pay claims if a major hurricane occurs because of issues in the reinsurance market and the increase in its policies. When Citizens does not have adequate funds to pay claims, insurance companies and Louisiana policyholders can be assessed.

Citizens said its total policies and the insured value of those policies rose from 35,670 policies totaling approximately $6.7 billion in January 2021 to 112,035 policies totaling $33.3 billion in August 2022. That represents a 214.1% increase in policies and a 397% increase in total insured value.

We found, too, that LDI monitors the financial condition of insurance companies in accordance with state law and best practices. In addition, LDI recently enhanced its reinsurance reviews in response to the six insurance companies that became financially insolvent because they lacked adequate reinsurance.

During calendar years 2017 through 2021, LDI conducted 228 financial analyses and 13 examinations of the 13 Louisiana-domiciled homeowners insurance companies licensed at some point during the period.

The Legislature also has made changes to state law to improve the financial condition of insurance companies and to give insurance companies an incentive to provide residential property insurance in Louisiana. In addition, LDI stated that it has expanded its financial monitoring activities to include a more detailed, stand-alone actuarial review on the type of modeling used by insurance companies for reinsurance.

The report contains our findings, conclusions, and recommendations. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the Louisiana Department of Insurance, the Louisiana Insurance Guaranty Association, and the Louisiana Citizens Property Insurance Corporation for their assistance during this audit.

Respectfully submitted,

Michael J. “Mike” Waguespack, CPA
Legislative Auditor

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Louisiana Legislative Auditor
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Financial Condition of the Residential Property Insurance Market
Louisiana Department of Insurance (LDI)
October 2022

Audit Control # 40210037

Introduction

This report provides information on changes in the residential property[1] insurance market as a result of the calendar year 2020 and 2021 hurricanes and the residual effects to the Louisiana Insurance Guaranty Association (LIGA) and the Louisiana Citizens Property Insurance Corporation (Citizens) when insurance companies are not able to pay their obligations or choose to stop writing new policies and/or leave the market altogether. In addition, we evaluated LDI's activities to monitor the financial condition of residential property insurance companies. A previous audit report[2] evaluated LDI's regulatory activities to ensure that residential property insurance companies comply with laws and handle claims fairly and timely.

> LDI lists its two fundamental responsibilities as state regulators as:
> 1. Making sure insurance companies are solvent and financially able to deliver on their contractual responsibilities
> 2. Safeguarding that insurance companies abide by the law and treat policyholders fairly.
>
> **Source:** LDI Annual Report

We conducted this audit, in part, due to the vulnerability Louisiana has to natural disasters, such as hurricanes and other weather events, that cause wind damage and flooding and impacted the state during the calendar year 2020 and 2021 hurricane seasons. According to the National Oceanic and Atmospheric Administration (NOAA), Louisiana ranks second in the nation for the highest costs due to storm damages.[3] NOAA further states that Louisiana's significantly smaller-sized population and economy relative to other states, such as Texas and Florida, increases the severity of disaster costs and impacts and makes recovery more difficult.

For the calendar year 2020 and 2021 hurricanes,[4] insurance companies received 784,436 claims across all insurance lines, paid approximately $18.4 billion

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[1] In this report, residential property insurance refers to both general homeowners policies and policies for home-related coverage for specific events such as fire, wind, and hail.
[2] [Regulation of Residential Property Insurance, LLA 2022]
[3] https://www.ncei.noaa.gov/access/monitoring/billions/mapping
[4] Hurricanes Laura, Delta, and Zeta occurred in calendar year 2020, and Hurricane Ida occurred in calendar year 2021.

in losses,[5] and set aside $5.3 billion in reserves for losses incurred but not yet paid.[6] Appendix C details claims, payments, and reserves for each of the calendar year 2020 and 2021 hurricanes for all lines of insurance. Insurance is designed to pass risk from the policyholder to the insurance company with the promise that the insurance company will pay in the event of a covered loss. However, 11 insurance companies[7] became financially insolvent between July 2021 and September 2022, which means they could not pay claims (or meet their obligations). When an insurance company becomes financially insolvent, LIGA assumes the outstanding claims of Louisiana policyholders. If policyholders cannot obtain replacement private insurance, then they can obtain a policy from Citizens. The roles of LDI, LIGA, and Citizens are discussed further in Exhibit 1 below.

Exhibit 1
Key Entities in Insurance Industry

Entity	Role
LDI	Regulates Louisiana's insurance industry, serves as an advocate for consumers, and analyzes and examines the financial condition of insurance companies in Louisiana.
LIGA	Created in 1970 as a private, non-profit entity to provide a safety net for claims of property and casualty insurance policyholders if an insurance company becomes financially insolvent. LIGA receives no public funding but is able to assess insurance companies up to 1% of total premium written in the previous calendar year to meet its financial obligations.
Citizens	Created in 2003 as a non-profit, quasi-public entity to provide residential and commercial property insurance for individuals unable to obtain insurance through the private market. Citizens is funded through premiums it collects for the policies it writes. If a deficit is incurred by Citizens, it has the ability to assess insurance companies and all privately insured policyholders.

Source: Prepared by legislative auditor's staff using information from LDI, LIGA, and Citizens.

The objectives of this audit were:

Objective 1: To provide information on the residual effects when residential property insurance companies become financially insolvent or voluntarily leave the market.

[5] According to LDI's website, paid losses are the payments on closed claims excluding adjustment expense.
[6] Based on data from LDI's website. The totals for Laura, Delta, and Zeta are as of September 30, 2021, while the totals for Ida are as of June 30, 2022. Therefore, these numbers do not include any claims or payments that were made after these dates.
[7] These 11 insurance companies are: Access Home Insurance Company; Americas Insurance Company, Inc.; FedNat Insurance Company; Gulfstream Property and Casualty Insurance Company; Gulfstream Select Insurance Company; Lighthouse Excalibur Insurance Company; Lighthouse Property Insurance Corporation; Maison Insurance Company; State National Fire Insurance Company; Southern Fidelity Insurance Company; and Weston Property and Casualty Insurance Company.

Objective 2: To evaluate the Louisiana Department of Insurance's activities to monitor the financial condition of residential property insurance companies.

Our results are summarized on the next page and discussed in detail throughout the remainder of the report. Appendix A contains LDI's response. We obtained feedback from LIGA and Citizens and incorporated it throughout the report. Appendix B details our scope and methodology. Appendix C details claims, payments, and reserves for all lines of insurance for each of the calendar year 2020 and 2021 hurricanes, Appendix D contains information about the 11 financially-insolvent insurance companies, Appendix E contains financial information for LIGA for calendar years 2004 through 2021, and Appendix F is a comparison of insurance guaranty funds for all 50 states.

Objective 1: To provide information on the residual effects when residential property insurance companies become financially insolvent or voluntarily leave the market.

Overall, we found that 11 insurance companies became financially insolvent between July 2021 and September 2022, which has strained the financial position of LIGA, six of which were due to a lack of adequate reinsurance for Hurricane Ida. In addition, because of the impacts of the calendar year 2020 and 2021 hurricanes, the perceived risk or exposure to potential losses in Louisiana, and/or the inability to obtain reinsurance, additional insurance companies have left the residential property market or are not writing new policies, all of which has increased the number of policies and potential financial exposure of Citizens. Specifically, we found that:

- **The cost of claims and premium refunds paid by LIGA increased from approximately $4.8 million in calendar year 2020 to approximately $268.1 million in the first eight months of calendar year 2022, because LIGA had to assume the claims of financially-insolvent insurance companies. LIGA also had to assess insurance companies and obtain approval to borrow funds to meet its obligations as a result of these financial insolvencies.** To cover the cost of claims and premium refunds assumed, LIGA assessed insurance companies for the first time since calendar year 2004 and obtained approval to borrow up to $600 million to help meet its obligations. LIGA will have to pay between approximately $721.6 million and $884.6 million in principal and interest payments if all $600 million is borrowed.

- **The 11 financial insolvencies and the additional insurance companies fully withdrawing from the market or no longer writing new policies has increased the number of policies held by Citizens. According to Citizens, it may not have adequate reinsurance to pay claims if a major hurricane occurs due to issues in the reinsurance market and an increase in its policies. When Citizens does not have adequate funds to pay claims, insurance companies and Louisiana policyholders can be assessed.** According to Citizens, its total policies and the total insured value of those policies has increased from 35,670 policies totaling approximately $6.7 billion in January 2021 to 112,035 policies totaling $33.3 billion in August 2022, representing a 214.1% increase in policies and 397.0% increase in total insured value.

This information and a matter for legislative consideration are discussed in more detail in the sections below.

The cost of claims and premium refunds paid by LIGA increased from approximately $4.8 million in calendar year 2020 to approximately $268.1 million in the first eight months of calendar year 2022, because LIGA had to assume the claims of financially-insolvent insurance companies. LIGA also had to assess insurance companies and obtain approval to borrow funds to meet its obligations as a result of these financial insolvencies.

When an insurance company is unable to pay its obligations and becomes financially insolvent, LIGA is responsible for paying covered claims.[8] To cover the costs of these claims, state law[9] authorizes LIGA to annually assess insurance companies up to 1% of the premiums written in the previous calendar year. State law[10] allows insurance companies to recoup the assessment paid to LIGA through a premium tax offset or by increasing rates charged to policyholders.

Reinsurance is insurance for insurance companies. Under a reinsurance contract, the insurance company transfers all or part of the financial risk of loss for claims to the reinsurer, in exchange for compensation.

Source: National Association of Insurance Commissioners (NAIC)

According to LDI, 11 residential property insurance companies became financially insolvent between July 2021 and September 2022, six of which were because they did not have adequate reinsurance to pay claims resulting from Hurricane Ida.[11] According to state law,[12] an insurance company is considered financially insolvent when either (1) it is unable to pay its obligations when they are due or (2) when the insurance company's assets do not exceed its liabilities plus any required capital contribution ordered by LDI. Between July 2021 and September 2022, 11 residential property insurance companies became financially insolvent affecting approximately 184,430 policies,[13] or approximately 13.3% of

[8] According to Louisiana Revised Statutes (La. R.S.) 22:2055, a covered claim does not include certain obligations such as amounts awarded as penalties or punitive damages, amounts due to a reinsurer or employee retirement funds, etc.
[9] La. R.S. 22:2058
[10] La. R.S. 22:2058 and 22:2066
[11] According to LDI, five insurance companies became financially insolvent due to various other reasons, such as issues with Florida policies.
[12] La. R.S. 22:2003
[13] The approximate total number of policies is based on information available to LDI for the 11 financially-insolvent insurance companies at the time we conducted our analysis.

total premiums written[14] for the residential property insurance market. According to LDI, while these insurance companies did have enough reinsurance for the calendar year 2020 hurricanes, six of these insurance companies became financially insolvent because they did not have adequate reinsurance to pay the claims resulting from Hurricane Ida. These six insurance companies had estimated losses of approximately $1.3 billion, which exceeded their reinsurance and surplus by approximately $138 million.[15] Appendix D shows the approximate number of policies affected for the 11 financially-insolvent insurance companies; for those insurance companies that became financially insolvent due to Hurricane Ida, it also shows the estimated losses, the amount of reinsurance, the surplus, and the overall shortfall based on when the insurance company became financially insolvent and/or the latest available information according to LDI.

State law does not specify a minimum required level of reinsurance an insurance company must have to operate in Louisiana. According to LDI, each of the six insurance companies that ultimately became financially insolvent due to Hurricane Ida had what was considered enough reinsurance by rating agencies. In addition, the insurance companies had adequate reinsurance to withstand the impacts of the three hurricanes during calendar year 2020. However, the combination of the path taken by Hurricane Ida, the increased cost of materials and labor as a result of the Covid-19 pandemic and supply chain issues, and insurance companies potentially underinsuring properties led to these insurance companies not having enough reinsurance to cover their losses for Hurricane Ida. According to Citizens, some policies originally with these financially-insolvent insurance companies and ultimately assumed by Citizens were insured at a lower level by the previous insurance company than by Citizens. For example:

- A policy with a previous coverage amount of $512,800 was insured by Citizens at $737,600, representing a potential underinsured amount of $224,800.
- A policy with a previous coverage amount of $200,000 was insured by Citizens at $351,000, representing a potential underinsured amount of $151,000.
- A policy with a previous coverage amount of $265,000 was insured by Citizens at $360,000, representing a potential underinsured amount of $95,000.

As a result of financial insolvencies, LIGA stated that the cost of claims and premium refunds it paid increased significantly in calendar years 2021 and 2022. Upon assuming claims from financially-insolvent insurance companies, LIGA can pay up to $500,000 per claim. In addition, LIGA can pay up to $10,000 to refund policyholders for unearned premiums (premium refunds) for

[14] Based on total homeowners premiums written in calendar year 2020.
[15] The estimated losses and amount by which the losses exceeded their reinsurance and surplus is based on information available to LDI for these six financially-insolvent insurance companies at the time we conducted our analysis.

months in which the financially-insolvent insurance company was unable to provide insurance coverage.[16]

The cost of claims and premium refunds LIGA assumed from insurance companies that became financially insolvent strained its financial position. For example, LIGA paid approximately $81.6 million for claims and premium refunds to policyholders for past financial insolvencies during calendar years 2010 through 2020 combined. However, in calendar year 2021 alone, LIGA paid approximately $72.6 million in claims and premium refunds, with the increase primarily attributed to claims related to financial insolvencies due to Hurricane Ida. In addition, LIGA stated it has paid $268.1 million in calendar year 2022 for claims and premium refunds for nine of the insurance companies that became financially-insolvent since July 2021 and has projected outstanding payments of $731.3 million for these insurance companies.[17] Exhibit 2 summarizes total claims and premium refund payments for calendar year 2010 through August 2022, while Appendix E summarizes additional financial information about LIGA for calendar years 2004 through 2021.

Exhibit 2
LIGA Claim and Premium Refund Payments Calendar Years 2010 through August 2022

Calendar Year	Claim and Premium Refund Payments**
2010	$8,041,696
2011	4,009,471
2012	6,105,404
2013	7,738,039
2014	7,600,939
2015	8,060,338
2016	8,748,158
2017	12,450,810
2018	8,070,816
2019	5,985,990
2020	4,793,517
2021	72,613,462
2022*	268,137,779
Total	**$422,356,419**

* Based on estimated information from LIGA as of August 31, 2022 for nine of the financially-insolvent insurance companies. This does not include projected payments for claims not related to these financial insolvencies.
** In addition to these payments, LIGA returned $77,311,923 in assessments to insurance companies in calendar year 2009 and $74,000,000 in excess funds to the state of Louisiana in calendar year 2015.
Source: Prepared by legislative auditor's staff using information from LIGA.

To cover the cost of claims and premium refunds assumed as a result of the financial insolvencies, LIGA assessed insurance companies for the first time since calendar year 2004. These assessments decrease the amount of tax revenue available for the state general fund. In addition, LIGA obtained approval from the State Bond Commission to borrow up to $600 million to help meet its obligations. LIGA, like 48 other states, uses a post-assessment model whereby it can assess insurance companies after a financial insolvency occurs. LIGA is allowed to assess up to 1% of total premium written in the previous calendar year and assessed

[16] Unearned premiums are the portion of the premium that has not been "earned" by the insurance company because the policy still has time before it expires.
[17] As of August 31, 2022, LIGA estimates total outstanding payments for claims and premium refunds of $829.4 million when including pre-2021 financial insolvencies and financial insolvencies not related to residential property insurance companies. In addition, LIGA does not yet have estimates for FedNat Insurance Company and Maison Insurance Company, which became financially-insolvent in September 2022.

insurance companies the full 1% for calendar years 2021 and 2022 for the first time since 2004. According to LIGA, these assessments will provide approximately $205.9 million in total revenue to pay claims and premium refunds. Insurance companies are able to recoup assessments paid to LIGA through either (1) a premium tax offset or (2) increased rates charged to policyholders. According to LDI, the most common option used by insurance companies in the past was the premium tax offset. If the insurance company takes the premium tax offset, then it receives a tax credit for a maximum of 10% of the assessment each year for 10 years, which decreases the amount of tax revenue available for the state general fund. If the insurance company is assessed in multiple years, then it can simultaneously use premium tax credits from multiple years, further decreasing the amount of tax revenue available to the state general fund. For example, if an insurance company is assessed the full 1% five years in a row, it could have a 50% premium tax credit in the year following the fifth assessment.

While the calendar year 2021 and 2022 assessments will provide LIGA approximately $205.9 million in revenue to pay its outstanding claims, it is not enough to pay all outstanding claims. As mentioned previously, LIGA estimates that it still has $731.3 million in outstanding claims and premium refund obligations. Because of this, LIGA obtained approval in July 2022 to borrow up to $600 million to meet its obligations and goal of paying policyholders as timely and effectively as possible. Unlike assessments that act as an interest-free loan to LIGA, borrowing money in this manner is more expensive because LIGA also has to pay interest. According to LIGA, it expects to pay between approximately $121.6 million and $284.6 million in interest over a 12-year period, making the total maximum amount of the borrowing between approximately $721.6 million and $884.6 million.[18] According to LIGA, this was the first time it had to obtain approval to borrow funds to pay claims associated with residential property insurance.[19]

LIGA will need to assess insurance companies for the foreseeable future to pay its obligations and build up its own reserves, which will further impact the state general fund. While the $600 million borrowing discussed above will help LIGA pay policyholders timely, it will have to assess insurance companies in the coming years to pay back the borrowing since LIGA's 1% assessment limits it to approximately $100 million in assessment revenue per year. Guaranty associations in most states allow more than a 1% percent assessment. The information below shows how, according to the National Conference of Insurance Guaranty Funds (NCIGF),[20] LIGA compares to guaranty associations in other states and how changes to funding and payment mechanisms could potentially affect policyholders, the state general fund, and LIGA's operations going forward. Appendix F summarizes the characteristics of each state's insurance guaranty fund, including the maximum annual assessment, recoupment provision,

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[18] The total amount of interest paid depends on the interest rate obtained. LIGA's authority to borrow includes a 3.5% to 6.0% interest rate.
[19] LIGA borrowed money in 1989 due to financial insolvencies in the automobile insurance industry.
[20] According to NCIGF, it provides national assistance and support to the property and casualty funds located in each of the 50 states, the District of Columbia, and the Commonwealth of Puerto Rico.

and maximum amount paid per claim, as well as recommendations from the National Association of Insurance Commissioners (NAIC)[21] and NCIGF.

- ***Louisiana is one of 10 states (20.0%) that pays up to $500,000 for unpaid claims, while 35 states (70.0%) pay $300,000.***[22] NAIC recommends paying a maximum of $500,000 per claim, while NCIGF recommends $300,000. Lowering the maximum amount the state pays for future events would decrease the cost of these events to LIGA and make it less likely for the state general fund to be impacted, but it would also limit the ability for policyholders to be made whole if they have a claim exceeding $300,000.

- ***Louisiana is one of seven states (14.0%) that allows insurance companies to use either premium tax credits or rate and premium increases to recoup the cost of assessments, while 14 states (28.0%) only offer premium tax credits and 29 states (58.0%) only allow rate and premium increases or surcharges.*** While removing the option to take a premium tax credit would remove direct impacts to the state general fund, this cost would instead be passed down to policyholders, resulting in them having less disposable income.

- ***Louisiana is one of nine states (18.0%) that has a 1% limit for its assessments, which is the lowest in the country.*** The other 41 (82.0%) states have a 1.5% or higher limit for their assessments, with 38 states (76.0%) having the capability to assess up to 2%. For example, Texas can assess up to 2% of total premiums and has the ability to make an additional assessment for a national disaster or catastrophic event. Both NAIC and NCIGF recommend a 2% annual assessment. When LIGA last had to borrow money to pay its obligations, state law was amended from calendar year 1990 to 2002 to allow LIGA to charge an extra 1% for debt repayment totaling 2%. Increasing the maximum assessment percentage would increase the amount of funds received by LIGA, allowing it to more quickly repay its current borrowing, reduce the amount of interest it would incur, and potentially avoid borrowing in the future. For example, a 2% assessment could allow LIGA to bring in approximately $200 million in assessment revenue instead of the approximately $100 million in assessment revenue the 1% assessment allows. However, this would also further decrease the amount of tax revenue available for the state general fund because of the corresponding premium tax offset.

Matter for Legislative Consideration: The legislature may wish to consider whether changes should be made to LIGA's funding and payment

[21] NAIC is the United States standard-setting and support organization for the regulation of the insurance industry.
[22] The other five states' maximum payments include two states at $100,000, one state at $150,000, one state at $1,000,000, and one state at $5,000,000.

mechanisms, such as lowering the maximum amount paid for claims, changing the recoupment method for insurance companies, or temporarily or permanently increasing the percentage LIGA can assess.

The 11 financial insolvencies and the additional insurance companies fully withdrawing from the market or no longer writing new policies has increased the number of policies held by Citizens. According to Citizens, it may not have adequate reinsurance to pay claims if a major hurricane occurs due to issues in the reinsurance market and an increase in its policies. When Citizens does not have adequate funds to pay claims, insurance companies and Louisiana policyholders can be assessed.

Citizens was created to provide insurance for individuals who are unable to obtain coverage from private insurance companies. Citizens is funded through premiums it collects for the policies it writes. In addition, if Citizens incurs a deficit, it has the ability to assess insurance companies and privately insured policyholders. According to LDI staff and stakeholders from the insurance industry, attracting and retaining insurance companies in Louisiana, as well as having them continue to write new policies, is challenging due to the prevalence of, and costs associated with, weather disasters. As mentioned previously, insurance companies paid approximately $18.4 billion in losses for damages related to the calendar year 2020 and 2021 hurricanes and set aside another $5.3 billion for losses incurred but not yet paid. Large losses in a short amount of time can contribute to hardships for insurance companies, which may choose to write fewer or no additional policies for homeowners in affected areas or leave Louisiana's insurance market altogether.

In addition to the 11 financially-insolvent insurance companies previously mentioned, other insurance companies withdrew from the market completely or have stopped writing new policies in Louisiana. According to LDI, this is due to the impacts of the calendar year 2020 and 2021 hurricanes, the perceived risk or exposure to potential losses in Louisiana, and/or the inability to obtain reinsurance. According to LDI, 10 insurance companies withdrew entirely from providing residential property insurance in Louisiana between January 2021 and June 2022.[23] The combination of the 11 financial insolvencies and 10 insurance companies leaving the market impacted approximately 204,987 policyholders, or approximately 16.7% of total

[23] Two insurance companies originally withdrew from the market during this timeframe but later became financially insolvent. We did not include these two insurance companies in this number so we would not double count them.

premiums written for the residential property insurance market.[24] The majority of these insurance companies left the market in calendar year 2022. In addition, a small sample survey by the Independent Insurance Agents and Brokers of Louisiana (IIABL) indicated that at least six other residential property insurance companies are not writing new policies in Louisiana.[25] While some of these policies were picked up by other private insurance companies, individuals who were unable to find private insurance coverage obtained it through Citizens.

The number of policies held by Citizens has significantly increased due to the financial insolvencies and insurance companies leaving the market or not writing new policies. According to state law,[26] Citizens is the insurer of last resort with the goal of moving policies back to the private insurance market. State law[27] requires Citizens to price policies at least 10% higher than the highest rate charged by private insurance companies in the parish where the property is located, or the actuarially justified rate plus at least 10%, whichever is higher. In addition, Citizens may undertake a depopulation effort as needed to offer private insurance companies the option to take over some of its policies, which reduces its exposure. However, Citizens policies and the total insured value of those policies increased from 35,670 policies totaling approximately $6.7 billion in January 2021 to 112,035 policies totaling $33.3 billion in August 2022,[28] representing a 214.1% increase in policies and 397.0% increase in total insured value. Exhibit 3 on the following page shows the increase in Citizens' policies and total insured value from January 2021 through August 2022.

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[24] This includes approximate policyholders and market share for all 11 financially-insolvent insurance companies, and eight of the 10 insurance companies leaving the market for which the information was available.

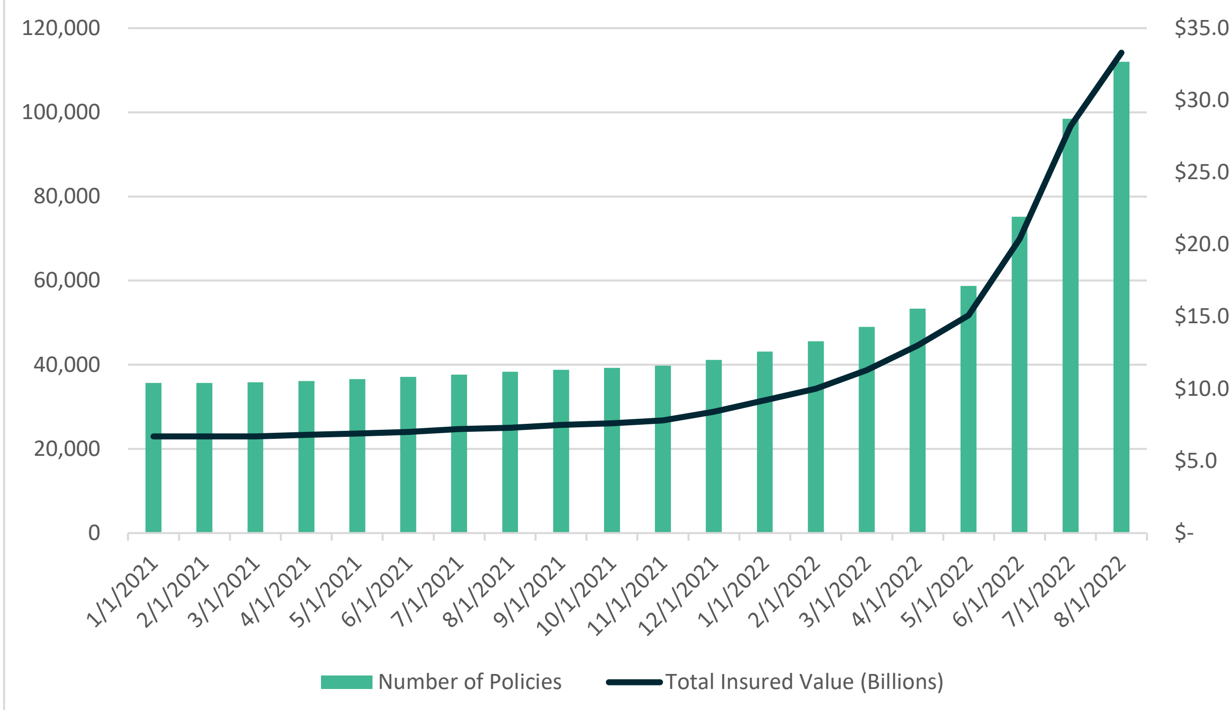
[25] As of May 27, 2022. In addition, the IIABL survey indicated that 46 commercial property insurance companies had coverage changes, such as non-renewing all admitted business, not writing new business south of Interstate 10, and no longer providing Louisiana wind coverage.

[26] La. R.S. 22:2291

[27] La. R.S. 22:2303

[28] This includes both residential and commercial policies. As of August 31, 2022, there were 106,118 residential policies with a total insured value of $26.7 billion and 5,917 commercial policies with a total insured value of $6.6 billion.

Exhibit 3
Increase in Citizens' Policies and Total Insured Value
January 2021 through August 2022



Source: Prepared by legislative auditor's staff using information from Citizens.

According to Citizens, it may not have adequate reinsurance to pay claims if a major hurricane occurs due to issues in the reinsurance market and an increase in its policies. When Citizens does not have adequate funds to pay claims, insurance companies and Louisiana policyholders can be assessed. According to state law,[29] when Citizens experiences a deficit by exhausting its reinsurance, cash, and investments, it can assess insurance companies based on 10% of their total written premium during the previous year. The insurance companies are allowed to pass the cost of the assessment to their policyholders. In addition, Citizens can also issue bonds and assess Louisiana policyholders to pay for them. For example, as a result of claims related to Hurricanes Katrina and Rita, Citizens assessed insurance companies $217 million and issued $978 million in bonds. To pay for the cost of these bonds, Citizens assessed all Louisiana policyholders in 2007, and policyholders will continue to pay this assessment through June 2026.

To minimize the likelihood of assessments being levied, state law[30] requires Citizens to purchase adequate reinsurance in amounts that are actuarily justified. According to Citizens, it purchases a high amount of reinsurance to meet this requirement, reduce its exposure to loss, and because it has no other way to raise

[29] La. R.S. 22:2307
[30] La. R.S. 22:2297

capital. In response to an increase in policies in calendar years 2021 and 2022 and potential further increase as a result of Hurricane Ida, Citizens more than doubled its reinsurance coverage for the current storm season to $1.2 billion. However, due to the limited capacity in the global reinsurance market, the increase in the cost to acquire reinsurance, and taking on additional policies after obtaining reinsurance, Citizens stated it may not have adequate reinsurance if a major hurricane occurs. Based on initial modeling by Citizens, if a storm similar to Hurricane Laura, which caused $103 million in losses, occurred in 2022, it would cause approximately $575 million in losses for Citizens policyholders and be within Citizens' reinsurance coverage. However, a storm similar to Hurricane Ida, which caused approximately $538 million in losses, would cause approximately $2.4 billion in losses and exceed Citizens reinsurance coverage.[31]

[31] Actual losses for Hurricanes Laura and Ida are as of August 31, 2022, while estimated losses are as of September 30, 2022.

Objective 2: To evaluate the Louisiana Department of Insurance's activities to monitor the financial condition of residential property insurance companies.

Overall, we found that LDI conducted activities to monitor the financial condition of insurance companies in accordance with state law and best practices. Specifically, we found that:

- **LDI conducted activities to monitor the financial condition of insurance companies in accordance with state law and best practices. Because six insurance companies became financially insolvent due to a lack of adequate reinsurance, LDI stated that it has also recently enhanced its reinsurance reviews. In addition, the Legislature made changes to state law to improve the financial condition of insurance companies and to incentivize insurance companies to provide residential property insurance in Louisiana.** During calendar years 2017 through 2021, LDI conducted 228 financial analyses and 13 examinations of the 13 Louisiana-domiciled homeowners insurance companies that were licensed at some point during this time.

This finding and a recommendation are discussed in more detail in the section below.

LDI conducted activities to monitor the financial condition of insurance companies in accordance with state law and best practices. Because six insurance companies became financially insolvent due to a lack of adequate reinsurance, LDI stated that it has also recently enhanced its reinsurance reviews. In addition, the Legislature made changes to state law to improve the financial condition of insurance companies and to incentivize insurance companies to provide residential property insurance in Louisiana.

According to LDI, it monitors the financial condition of all Louisiana-domiciled insurance companies approved to conduct business in the state to provide assurance that they are able to deliver on their contractual responsibilities and that policyholders are protected. State law[32] requires LDI to conduct financial examinations at least once every five years of all insurance companies doing business in Louisiana. In addition to the financial examinations, state law[33] requires LDI to conduct financial analysis reviews of insurance companies, which LDI conducts quarterly for most homeowners insurance companies.

LDI also utilizes NAIC handbooks setting forth best practices to monitor the financial condition of insurance companies[34] and is accredited by the NAIC, which means that LDI has undergone an external review and demonstrated it meets legal, financial, and organizational standards. These standards are established by NAIC to encourage effective financial regulatory oversight. LDI's most recent review occurred in calendar year 2020, and NAIC did not identify any significant issues. However, the review did note two strengths, including actuarial involvement in financial monitoring and LDI's robust training and continuing education program for its financial solvency management and staff. Exhibit 4 summarizes the primary activities used by LDI to monitor the financial condition of Louisiana-domiciled homeowners insurance companies.

Exhibit 4
LDI Activities to Monitor the Financial Condition of Louisiana-Domiciled Homeowners Insurance Companies*

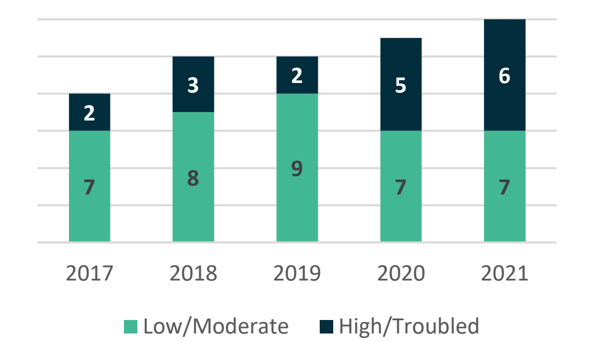
Activity	Description
Financial Analysis	Financial analysis provides ongoing, quarterly monitoring of an insurance company's financial condition, significant internal and external changes relating to all aspects of the insurance company, and includes a prioritization system based on identified risks. This process provides LDI with timely information about significant events relating to the insurance company to assess current and future risks.
Financial Examination	Financial examinations, which occur at least once every five years, examine an insurance company's accounting methods, procedures, and financial statement presentation to verify and validate what is presented in the insurance company's annual statement and to determine whether the insurance company is in good financial standing. Examinations are also designed to identify risk and assess the adequacy and effectiveness of strategies used by the insurance company to mitigate risk.

* For insurance companies that operate in Louisiana but are domiciled in another state, LDI may rely on the insurance department in the other state to perform the financial analyses and examinations.
Source: Prepared by legislative auditor's staff using information provided by LDI.

[32] La. R.S. 22:1981
[33] La. R.S. 22:1984
[34] The NAIC Financial Condition Examiners Handbook and the NAIC Financial Analysis Handbook are guidance documents to assist state insurance departments with assessing and monitoring an insurance company's financial condition and prospective insolvency and are incorporated by reference in the Louisiana Administrative Code (LAC) by LAC 37:16101.

LDI conducted financial analyses and examinations to monitor the financial condition of insurance companies in accordance with state law and best practices. These reviews identified insurance companies that were at risk of becoming financially insolvent. During calendar years 2017 through 2021, LDI conducted 228 financial analyses and 13 examinations of the 13 Louisiana-domiciled homeowners insurance companies that were licensed at some point during this time. At the end of each financial analysis, LDI assigns a priority for each insurance company based on identified risks, the insurance company's relative stability, and the perceived need for enhanced analysis. The priority levels include low, moderate, high, and troubled. The number of homeowners insurance companies analyzed during calendar years 2017 through 2021 and their assigned priority levels as of the end of the calendar year are shown in Exhibit 5.

Exhibit 5
Priority Levels by Calendar Year*
2017 through 2021



* Priority levels are as of the end of the year.
Source: Prepared by legislative auditor's staff using information provided by LDI.

When an insurance company reaches the high or troubled level, LDI may conduct more in-depth or frequent analyses, require the insurance company to submit additional or more frequent reports, and communicate more frequently with the insurance company to be aware of and address issues promptly. If LDI is concerned that an insurance company is or may become financially insolvent, LDI may petition the court to place the insurance company into receivership, which allows a representative of LDI, called the receiver, to take control of the insurance company. For example, LDI assigned an insurance company moderate priority level in calendar years 2017, 2018, and 2019 based on the financial analyses conducted in those years. LDI increased the priority level of this insurance company to high in 2020 and troubled in 2021, and then petitioned the court to place the insurance company into receivership. According to LDI, it increased communication with this insurance company as its concerns related to financial solvency increased. In addition, prior to the insurance company going into receivership, LDI required it to file a corrective action plan and to submit more frequent financial statements.

The Legislature made changes to improve the financial condition of insurance companies operating in Louisiana and to incentivize insurance companies to provide residential property insurance in Louisiana. In addition, LDI stated that it has enhanced its financial monitoring of insurance companies related to reinsurance. To address concerns with insurance companies not having adequate assets, Act 69 of the 2022 Regular Legislative Session was passed to increase the amount of paid-in capital, minimum surplus, and/or operating surplus[35] insurance companies are required to maintain to provide residential property insurance in Louisiana. Existing insurance companies are required to have $5 million of paid-in capital, minimum surplus, and operating surplus on or after December 31, 2026, and $10 million on or after December 31, 2031. New residential property insurance companies who apply for a certificate of authority on or after September 1, 2022, are required to have initial minimum surplus in the amount of $10 million.

In addition, Act 754 was passed during the 2022 Regular Legislative Session to provide for an incentive program, the Insure Louisiana Incentive Program, to encourage private insurance companies to write business in Louisiana. According to LDI staff and stakeholders from the insurance industry, attracting additional insurance companies to Louisiana's market is challenging due to the prevalence of weather disasters. The Insure Louisiana Incentive Program, which was initially created after Hurricanes Katrina and Rita, will allow LDI to allocate grants between $2 million and $10 million to eligible insurance companies that match newly allocated capital funds dollar-for-dollar. The insurance companies are required to write residential property insurance of at least a ratio of two dollars of premium for each dollar of the total newly allocated capital from the insurance company and the matching capital fund grant. For example, if an insurance company agrees to allocate $2 million of its capital, it could receive a grant from the state for $2 million. The insurance company would then be required to write at least $8 million of residential property insurance. According to LDI, the goals of incentivizing private insurance companies include reducing the policies held by Citizens to lower its exposure, allowing current Citizens policyholders to obtain more affordable insurance coverage in the private market, and reducing the risk that policyholders across the state are assessed by Citizens. While funding for the incentive program has not been established, LDI stated that it is seeking to use $20 million of self-generated revenue to fund the program.

Because six financial insolvencies were related to a lack of adequate reinsurance, LDI stated that it has expanded the type of information it reviews as part of its financial monitoring activities, including a more detailed, stand-alone actuarial review on the type of modeling used by insurance companies to determine the amount of reinsurance needed and the total insured value of policies. The new review LDI is conducting began shortly after insurance companies finalized their reinsurance programs for the current storm season and is prospective in nature. To further understand why the six insurance companies did not have adequate reinsurance, LDI also could analyze information related to policies formerly held by now financially-insolvent insurance companies. For example, LDI has access to policy information from financially-insolvent insurance companies, which it could use to determine if the policies were properly insured. In addition, LDI could work with Citizens to analyze the value it assigned to the policies it assumed compared to what those policies were valued at by the financially-insolvent insurance companies. According to LDI, it plans to conduct an analysis as described above.

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[35] Paid-in capital, minimum surplus, and operating surplus are terms used in Louisiana State Law to describe the minimum assets an insurance company must have to operate in the State.

Recommendation 1: LDI should conduct an analysis of the financially insolvent-insurance companies to understand what factors specifically contributed to the financial insolvencies by using information obtained by its receiver, Citizens, and any other available information.

Summary of Management's Response: LDI agreed with this recommendation and stated that it is currently researching available options to implement it. See Appendix A for LDI's full response.

APPENDIX A: MANAGEMENT'S RESPONSE

LOUISIANA DEPARTMENT OF INSURANCE
JAMES J. DONELON
COMMISSIONER

October 10, 2022

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

Re: LDI Performance Audit Report Response

Dear Mr. Waguespack:

Thank you for the opportunity to respond to the performance audit report of the Louisiana Department of Insurance ("LDI") titled *Financial Condition of the Residential Property Insurance Market*. Please see our response below:

Recommendation: LDI should conduct an analysis of the financially insolvent insurance companies to understand what factors specifically contributed to the financial insolvencies by using information obtained by its receiver, Citizens, and any other available information.

Response: ***The LDI accepts this recommendation. We are currently researching available options to best comply with this recommendation.***

We appreciate your staff's professionalism during the audit process. If you have any questions, please contact either me or Lance Herrin, Deputy Undersecretary.

Sincerely,

S. Denise Gardner
Chief of Staff

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Phone (225) 342-5900 • Fax (225) 342-3078
https://www.ldi.la.gov

APPENDIX B: SCOPE AND METHODOLOGY

This report provides the results of our performance audit of the Louisiana Department of Insurance (LDI). We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. This audit covered January 1, 2017 through September 30, 2022. The objectives of this audit were:

Objective 1: To provide information on the residual effects when residential property insurance companies become financially insolvent or voluntarily leave the market.

Objective 2: To evaluate the Louisiana Department of Insurance's activities to monitor the financial condition of residential property insurance companies.

We conducted this performance audit in accordance with generally accepted *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We obtained an understanding of internal control that is significant to the audit objective and assessed the design and implementation of such internal control to the extent necessary to address our audit objective. We also obtained an understanding of legal provisions that are significant within the context of the audit objective, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

To answer our objectives, we reviewed internal controls relevant to the audit objective and performed the following audit steps:

- Researched relevant federal and state laws, regulations, and policies related to the insurance industry.

- Researched best practices related to financial monitoring of insurance companies.

- Researched other relevant information such as news articles, LDI's website, and recent legislation related to the insurance industry.

- Met with LDI management and staff to obtain an understanding of the financial monitoring activities performed by LDI and the residual effects when residential property insurance companies become financially insolvent or voluntarily leave the market.

- Obtained and analyzed LDI's Regulatory Management System data regarding homeowners' premiums for insurance companies to calculate each insurance company's market share.

- Obtained and analyzed LDI data and documentation such as financial analysis reports and financial examination reports, including LDI's activities related to reinsurance, to determine whether LDI conducted financial monitoring in accordance with state law and best practices.

- Obtained and analyzed information from LDI and other sources related to residential property insurance companies that became financially insolvent. We counted 11 insurance companies that became financially insolvent based on the number of unique insurance companies that reported premiums during our scope.

- Obtained and analyzed data from LDI related to the claims, payments, and reserves for all lines of insurance for each of the calendar year 2020 and 2021 hurricanes.

- Obtained and analyzed information from LDI and the Independent Insurance Agents and Brokers of Louisiana related to insurance companies that withdrew from the residential property insurance market or are no longer writing residential property insurance in Louisiana.

- Met with the Louisiana Insurance Guaranty Association (LIGA) management to obtain an understanding of LIGA and the estimated impact of the calendar year 2020 and 2021 hurricanes.

- Obtained and analyzed information related to LIGA, including LIGA's annual reports, LIGA's actual and estimated losses and payments related to financial insolvencies of insurance companies, LIGA's assessment collections for the calendar year 2020 and 2021 assessments, LIGA's approval to borrow funds, and to make payments related to financially-insolvent insurance companies. We relied on the information submitted by LIGA and did not analyze the underlying data.

- Obtained and analyzed information from the Department of Treasury related to LIGA's borrowing, including the total requested borrowing authority and the range of projected interest payments.

- Obtained and analyzed information from the National Conference of Insurance Guaranty Association (NCIGF) comparisons of insurance guaranty associations in all 50 states, as well as recommendations from NCIGF and the National Association of Insurance Commissioners. We relied on the information provided by NCIGF and did not research individual state laws.

- Met with the Louisiana Citizens Property Insurance Corporation (Citizens) management to obtain an understanding of Citizens and the estimated impact of the calendar year 2020 and 2021 hurricanes.

- Obtained and analyzed information from Citizens management, including Citizens' annual reports, Citizens' actual and estimated policies and total insured value related to policies it holds, Citizens' past assessments on insurance companies and policyholders as a result of Hurricanes Katrina and Rita, examples of properties that were potentially underinsured by now financially-insolvent insurance companies, information related to reinsurance, losses resulting from Hurricanes Laura and Ida, and estimated future losses if Hurricanes Laura and Ida were to occur based on Citizens increase in policies and total insured value. We relied on the information provided by Citizens and did not analyze the underlying data.

APPENDIX C: CLAIMS, PAYMENTS, AND RESERVES FOR ALL LINES OF INSURANCE FOR THE CALENDAR YEAR 2020 AND 2021 HURRICANES

This appendix shows the claims, paid losses (the payments on closed claims excluding adjustment expense), and reserves for each of the calendar year 2020 and 2021 hurricanes for all lines of insurance. The totals for Laura, Delta, and Zeta are as of September 30, 2021, while the totals for Ida are as of June 30, 2022. Therefore, these numbers do not include any claims or payments that were made after these dates.

Hurricane	Claims Reported	Paid Loss	Reserves* on Reported Claims
Laura	177,691	$7,422,148,171	$1,657,053,682
Delta	89,451	750,988,421	124,517,817
Zeta	56,585	422,561,005	206,707,530
Ida	460,709	9,804,171,968	3,309,339,729
Total	**784,436**	**$18,399,869,565**	**$5,297,618,758**

*Amount set aside by insurance companies to cover claims incurred but not yet paid.
Source: Prepared by legislative auditor's staff using LDI data.

APPENDIX D: INFORMATION FOR 11 FINANCIALLY-INSOLVENT INSURANCE COMPANIES

This appendix shows the following information for the six insurance companies that became financially insolvent due to Hurricane Ida: approximate number of policies affected, estimated losses, amount of reinsurance, surplus, and overall shortfall based on the time of the insolvency and/or the latest available information according to LDI.

In addition, FedNat Insurance Company (approximately 12,914 policies), Gulfstream Select Insurance Company and Gulfstream Property and Casualty Insurance Company (approximately 8,897), Maison Insurance Company (approximately 26,925 policies), and Weston Property & Casualty Insurance Company (approximately 10,370 policies) became financially insolvent due to various other reasons, such as issues with Florida policies. These policies, combined with the 125,324 policies listed below, total approximately 184,430 policies impacted by insurance companies becoming financially insolvent.

Insurance Company	Approximate Policies Affected	Estimated Losses	Reinsurance	Surplus	Shortfall
Access Home Insurance Company	19,967	$151,700,000	$113,700,000	$10,036,688	$27,963,312
Americas Insurance Company, Inc.	24,000	220,000,000	180,000,000	8,189,372	31,810,628
Lighthouse Property Insurance Corporation & Lighthouse Excalibur Insurance Company	30,000	367,000,000	316,000,000	18,595,000	32,405,000
Southern Fidelity Insurance Company	42,357	511,679,526	450,000,000	37,091,373	24,588,153
State National Fire Insurance Company	9,000	65,000,000	40,000,000	3,733,900	21,266,100
Total	**125,324**	**$1,315,379,526**	**$1,099,700,000**	**77,646,333**	**$138,033,193**

Source: Prepared by legislative auditor's staff using information from LDI.

APPENDIX E: LIGA FINANCIAL INFORMATION FOR CALENDAR YEARS 2004 THROUGH 2021

This appendix shows the starting net assets, receipts, disbursements, change in assets, and ending net assets for LIGA for calendar years 2004 through 2021.

Year	Starting Net Assets	Receipts	Disbursements	Change	Ending Net Assets
2004	$130,140,542	$137,214,546	$35,914,928	$101,299,618	$231,440,160
2005	231,440,160	39,454,540	26,838,371	12,616,169	244,056,329
2006	244,056,329	19,411,234	16,657,457	2,753,777	246,810,106
2007	246,810,106	21,496,094	12,791,967	8,704,127	255,514,233
2008	255,514,233	13,079,208	11,844,934	1,234,274	256,748,507
2009*	256,748,507	23,717,007	88,948,316	-65,231,309	191,517,198
2010	191,517,199	35,288,092	11,156,365	24,131,727	215,648,926
2011	215,648,926	24,059,186	6,747,268	17,311,918	232,960,844
2012	232,960,844	10,129,630	8,967,050	1,162,580	234,123,424
2013	234,123,424	5,636,926	11,099,219	-5,462,293	228,661,131
2014	228,661,131	12,730,445	11,261,267	1,469,178	230,130,309
2015**	230,130,309	4,397,066	85,587,002	-81,189,936	148,940,373
2016	148,940,373	7,867,328	12,718,006	-4,850,678	144,089,695
2017	144,089,695	16,420,892	17,664,408	-1,243,516	142,846,179
2018	142,846,179	18,965,694	13,525,143	5,440,551	148,286,730
2019	148,286,730	7,944,119	10,041,612	-2,097,493	146,189,237
2020	146,189,237	10,199,981	8,577,820	1,622,161	147,811,398
2021	147,811,398	14,438,994	78,110,493	-63,671,499	84,139,899
Total		**$422,450,982**	**$468,451,626**	**-46,000,644**	

* LIGA returned $77,311,923 in assessments to insurance companies during this year. In addition, the ending net assets for 2009 were $1 less than the starting net assets for 2010 according to LIGA annual reports.
** LIGA transferred $74,000,000 in excess funds to the State of Louisiana during this year.
Source: Prepared by legislative auditor's staff using information from LIGA annual reports.

APPENDIX F: COMPARISON OF INSURANCE GUARANTY FUNDS FOR ALL 50 STATES

This appendix shows the maximum annual assessment, recoupment provision, and maximum paid per claim for each of the 50 states, as well as the recommendations from the National Association of Insurance Commissioners (NAIC) and the National Conference of Insurance Guaranty Funds (NCIGF) based on research conducted by NCIGF as of calendar year 2021.

State/Entity	Maximum Annual Assessment*	Recoupment Provision	Maximum Paid per Claim
NAIC	2%	Various Option	$500,000
NCIGF	2	Not Specified	300,000
Alabama	1	Premium Tax Offset	300,000
Alaska	2	Surcharge	500,000
Arizona	1	Premium Tax Offset	300,000
Arkansas	2	Premium Tax Offset	300,000
California	2	Surcharge	500,000
Colorado	2	Rates & Premiums	300,000
Connecticut	2	Premium Tax Offset	500,000
Delaware	2	Premium Tax Offset or Rates & Premiums	500,000
Florida**	2	Surcharge	500,000
Georgia	2	Surcharge	300,000
Hawaii	2	Surcharge	300,000
Idaho	1	Premium Tax Offset	300,000
Illinois	2	Rates & Premiums	500,000
Indiana	1	Premium Tax Offset or Rates & Premiums	300,000
Iowa	2	Rates & Premiums	500,000
Kansas	2	Premium Tax Offset or Rates & Premiums	300,000
Kentucky	2	Rates & Premiums	300,000
Louisiana	1	Premium Tax Offset or Rates & Premiums	500,000
Maine	2	Rates & Premiums	300,000
Maryland	2	Rates & Premiums	300,000
Massachusetts	2	Rates & Premiums	300,000
Michigan	1	Rates & Premiums	5,000,000
Minnesota	2	Premium Tax Offset or Rates & Premiums	300,000
Mississippi	1	Rates & Premiums	300,000
Missouri	2	Premium Tax Offset	300,000
Montana	2	Rates & Premiums	300,000
Nebraska	1	Premium Tax Offset	300,000
Nevada	2	Premium Tax Offset	300,000

State/Entity	Maximum Annual Assessment*	Recoupment Provision	Maximum Paid per Claim
New Hampshire	2%	Rates & Premiums or Surcharge	$300,000
New Jersey	2	Surcharge	300,000
New Mexico	2	Rates & Premiums	100,000
New York	No limit	Rates & Premiums	1,000,000
North Carolina	2	Premium Tax Offset	300,000
North Dakota	2	Rates & Premiums	300,000
Ohio	1.5	Rates & Premiums	300,000
Oklahoma	2	Premium Tax Offset or Rates & Premiums	150,000
Oregon	2	Surcharge	300,000
Pennsylvania	2	Premium Tax Offset and Rates & Premiums	300,000
Rhode Island	2	Rates & Premiums	500,000
South Carolina	2	Rates & Premiums	300,000
South Dakota	2	Rates & Premiums	300,000
Tennessee	2	Premium Tax Offset	100,000
Texas***	2+	Premium Tax Offset	300,000
Utah	2	Premium Tax Offset	300,000
Vermont	2	Rates & Premiums	500,000
Virginia	2	Premium Tax Offset	300,000
Washington	2	Premium Tax Offset	300,000
West Virginia	2	Rates & Premiums	300,000
Wisconsin	2	Rates & Premiums	300,000
Wyoming	1	Rates & Premiums	300,000

***** Assessment percentage is either per account or on all premiums.
** Florida's maximum per claim is $300,000 but provides an additional $200,000 for policies providing coverage for homeowner's insurance.
*** Texas can assess up to 2% of total premiums and has the ability to make an additional assessment for a national disaster or catastrophic event.
Source: Prepared by legislative auditor's staff using information from LIGA and NCIGF staff.