

REGULATION OF RESIDENTIAL PROPERTY INSURANCE

LOUISIANA DEPARTMENT OF INSURANCE



PERFORMANCE AUDIT SERVICES
SEPTEMBER 22, 2022

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LOUISIANA LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

September 22, 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:

This report provides the results of our performance audit of the Louisiana Department of Insurance (LDI). The purpose of this audit was to evaluate LDI's regulatory activities to ensure that insurance companies comply with laws and handle claims fairly and in a timely manner.

Overall, we found that LDI has procedures and practices to ensure that insurance companies follow the law and handle claims in a fair and timely manner. These include licensing most adjusters, investigating complaints, monitoring insurance companies and individuals for insurance code violations, and issuing regulatory actions for violations of the insurance code.

However, we identified additional ways LDI could strengthen these activities, as well as a revision to Louisiana's insurance code the Legislature may wish to consider.

We found that most adjusters for the calendar year 2020 and 2021 hurricanes were licensed, meaning they demonstrated they were qualified to adjust claims by passing an exam and meeting other licensure requirements. However, catastrophe adjusters are not required to be licensed, and before the calendar year 2020 and 2021 hurricanes, no qualification requirements were in place for an individual to act as a catastrophe adjuster.

We also found that most complaints LDI received for the calendar year 2020 and 2021 hurricanes were a result of claims handling issues. While LDI exceeded its goal of completing 70% of complaint investigations within 42 days during calendar years 2017 through 2019, that percentage dropped to 55.9% in the wake of the calendar year 2020 and 2021 hurricanes. LDI also did not always report accurate information related to complaints, including the outcome of investigations and the amount recovered as a result of its investigations.

In addition, we found that LDI conducted market conduct monitoring activities in accordance with state law and best practices and plans to implement new procedures to identify claims handling issues. However, we found that state law could be revised to include more time frame requirements related to claims handling. LDI conducted 196 market conduct investigations

The Honorable Patrick Page Cortez,
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Speaker of the House of Representatives
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covering all lines of insurance during calendar years 2019 through 2021. Of those, 56 (28.6%) were related to homeowners insurance companies and included issues related to business practices and claims handling.

We found, too, that LDI issued 25 regulatory actions against homeowners insurance companies and 1,902 regulatory actions against adjusters during calendar years 2017 through 2021. Most regulatory actions were administrative in nature. For example, 15 (60.0%) of the regulatory actions against insurance companies were related to administrative issues, such as failing to maintain records, failing to file required information in a timely manner, and using unapproved forms, while 1,663 (87.4%) of the 1,902 regulatory actions against adjusters were related to inaccurate addresses.

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 for its assistance during this audit.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Mike Waguespack', with a long horizontal flourish extending to the right.

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

MJW/aa

LDI

Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA



Regulation of Residential Property Insurance Louisiana Department of Insurance

September 2022

Audit Control # 40220008

Introduction

We evaluated the regulatory activities the Louisiana Department of Insurance (LDI) conducts to ensure that residential property insurance companies¹ comply with laws and handle claims fairly and timely. According to state law,² the Commissioner of Insurance is responsible for the administration of Louisiana’s insurance code. Specific duties that protect consumers include licensing insurance professionals, monitoring the financial health and market conduct of insurance companies, and investigating consumer complaints. State law³ authorizes LDI to discipline companies and individuals who violate Louisiana’s insurance code. This report focuses on specific regulatory activities and safeguards related to consumer protection during calendar years 2017 through 2021. Some analyses focus specifically on the calendar year 2020 and 2021 hurricanes.⁴ A subsequent report will evaluate how LDI ensures that insurance companies are financially solvent and able to deliver on their contractual obligations.

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 Louisiana’s vulnerability to natural disasters and the impact of the calendar year 2020 and 2021 hurricane seasons. Louisiana is often impacted by hurricanes and other weather events that cause wind damage and flooding. According to the National Oceanic and Atmospheric Administration (NOAA), Louisiana ranks second in the nation for the highest costs due to storm damages.⁵ NOAA 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.

Although residential property insurance helps to cover the cost of damages, policyholders have reported issues with how insurance companies and adjusters handle these claims. For

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. In some cases, the criteria we tested only applied to the homeowners line of insurance. In those cases, we only analyzed companies that reported homeowners insurance premiums.

² Louisiana Revised Statute (La. R.S.) 22:2

³ La. R.S. 22:1983

⁴ Hurricanes Laura (Category 4), Delta (Category 2), and Zeta (Category 3) in calendar year 2020, and Hurricane Ida (Category 4) in calendar year 2021.

⁵ <https://www.ncei.noaa.gov/access/monitoring/billions/mapping>

example, common issues cited by policyholders included delays in claims being paid, dissatisfaction with settlement amounts, and too many adjusters assigned to a claim. Residential property complaints increased 1,094%, from 441 in calendar year 2019 to 5,264 in calendar year 2021, primarily due to the calendar year 2020 and 2021 hurricanes. In response to these issues, insurance reform was a main focus of the 2022 Regular Legislative Session. Exhibit 1 below shows LDI's role related to adjuster licensing, complaints, monitoring market conduct, and enforcement.

Exhibit 1	
LDI's Consumer Protection Functions	
Function	Role
Adjuster Licensing	LDI is responsible for processing and verifying applications for adjuster licenses and processing registrations for catastrophe adjusters.
Complaints	LDI receives and investigates complaints to determine whether the responding entity performed services in compliance with the law and the terms and conditions of the insurance policy.
Market Conduct Monitoring	LDI has authority to examine and investigate all entities and individuals engaged in the business of insurance to determine whether they have engaged in unfair or deceptive acts such as unfair claims settlement practices. LDI monitors the trade practices and overall conduct (market conduct) of insurance companies to ensure the fair and equitable treatment of Louisiana's consumers.
Enforcement	LDI has authority to issue regulatory actions against entities and individuals engaged in the business of insurance if there is evidence they failed to comply with law or engaged in unfair or deceptive acts or practices.
Source: Prepared by legislative auditor's staff using information from Louisiana's insurance code.	

The objective of this audit was:

To evaluate the Louisiana Department of Insurance's regulatory activities to ensure that insurance companies comply with laws and handle claims fairly and timely.

Our results are summarized on the next page and discussed in detail throughout the remainder of the report. Appendix A contains LDI's response, and Appendix B details our scope and methodology. Appendix C contains complaint reasons for complaints included in a targeted selection of complaints against adjusters for the calendar year 2020 and 2021 hurricanes.

Objective: To evaluate the Louisiana Department of Insurance's regulatory activities to ensure that insurance companies comply with laws and handle claims fairly and timely.

Overall, we found that LDI has procedures and practices to ensure that insurance companies comply with laws and handle claims fairly and timely, including licensing most adjusters, investigating complaints related to insurance, monitoring insurance companies and individuals for violations of Louisiana's insurance code, and issuing regulatory actions against insurance companies and individuals violating Louisiana's insurance code. However, we identified additional ways LDI could strengthen these activities, as well as a revision to Louisiana's insurance code that the legislature may wish to consider. Specifically, we found:

- **Most adjusters for the calendar year 2020 and 2021 hurricanes were licensed, meaning they demonstrated they were qualified to adjust claims by passing an exam and meeting other licensure requirements. However, catastrophe adjusters are not required to be licensed, and prior to the calendar year 2020 and 2021 hurricanes there were no qualification requirements for an individual to act as a catastrophe adjuster.** While Louisiana has implemented new requirements for catastrophe adjusters, LDI could do more to ensure that they are qualified by collecting information to determine whether catastrophe adjusters are licensed by another state.
- **Most complaints LDI received for the calendar year 2020 and 2021 hurricanes were related to issues with how insurance companies and adjusters were handling claims. While LDI exceeded its goal of completing 70% of complaint investigations within 42 days during calendar years 2017 through 2019, an influx of hurricane-related complaints in calendar years 2020 and 2021 led to LDI closing 55.9% of residential property complaints within 42 days.** In addition, LDI did not always report accurate information related to complaints, including the outcome of complaint investigations and the amount recovered as a result of complaint investigations. For example, LDI incorrectly calculated recovered funds by at least \$22.6 million for complaints related to the calendar year 2020 and 2021 hurricanes.
- **LDI conducted activities to monitor the market conduct of insurance companies in accordance with state law and best practices and plans to implement new procedures to identify claims handling issues. LDI could further enhance its monitoring of insurance companies by conducting additional market conduct investigations focused on claims handling.** In addition, state law could be revised to include additional time frame requirements related to claims handling. LDI conducted a total of 196 market conduct investigations covering all lines of insurance during calendar years 2019 through 2021. Of the 196 investigations, 56 (28.6%) were related to homeowners

insurance companies and included issues related to business practices and claims handling.

- **LDI issued 25 regulatory actions against homeowners insurance companies and 1,902 regulatory actions against adjusters during calendar years 2017 through 2021. Most regulatory actions were administrative in nature.** For example, 15 (60.0%) of 25 regulatory actions against insurance companies were related to administrative issues such as failing to maintain records, failing to timely file required information, and using unapproved forms, while 1,663 (87.4%) of 1,902 regulatory actions against adjusters were related to inaccurate addresses.

Our findings and our recommendations are discussed in more detail in the sections below.

Most adjusters for the calendar year 2020 and 2021 hurricanes were licensed, meaning they demonstrated they were qualified to adjust claims by passing an exam and meeting other licensure requirements. However, catastrophe adjusters are not required to be licensed, and prior to the calendar year 2020 and 2021 hurricanes there were no qualification requirements for an individual to act as a catastrophe adjuster.

Adjusters work for or on behalf of an insurance company to investigate claims, determine coverage, and inspect property damage.⁶ Most adjusters for the calendar year 2020 and 2021 hurricanes were licensed, meaning they passed an exam and met other licensure requirements to demonstrate they were qualified to adjust claims in Louisiana. When a major storm or other event occurs that results in an increased number of claims, insurance companies may use catastrophe adjusters to help meet the increased demand and service policyholders in accordance with time requirements⁷ for handling claims. Catastrophe adjusters are not required to be licensed. Insurance companies are required to register with LDI the catastrophe adjusters who will work on their behalf. Those individuals are allowed to adjust claims for a specific disaster for 180 days, which may be extended for 90 additional days by the Commissioner of Insurance. According to LDI, it is the responsibility of the insurance company to ensure that catastrophe adjusters are qualified to adjust claims in Louisiana.

Most adjusters for the calendar year 2020 and 2021 hurricanes were licensed, meaning they demonstrated they were qualified to adjust claims by passing an exam and meeting other licensing requirements. Catastrophe adjusters are not required to be

⁶ In this report, adjusters only includes those authorized to adjust property and casualty and personal lines claims and does not include public adjusters.

⁷ La. R.S. 22:1892 requires that insurance companies initiate loss adjustment of a property damage claim within 30 days of notification of loss unless the damages arise from a declared emergency/disaster. In such cases, the Commissioner of Insurance may extend the initiation period by an additional 30 days.

licensed, and LDI does not currently collect information to determine whether catastrophe adjusters working in Louisiana are licensed by another state. Excluding catastrophe adjusters, state law⁸ requires that individuals obtain a license from LDI prior to acting as a claims adjuster. To be eligible for a resident license, applicants must pass an exam and a criminal background check and reside in or maintain a principle place of business in Louisiana.⁹ To obtain a non-resident license, applicants must be licensed by another state and comply with the licensing requirements of that state. The number of licensed claims adjusters increased 48.4% from 82,499 in calendar year 2017 to 122,418 in calendar year 2021, in part due to the demands of recent hurricanes. Overall, there were a total of 156,175 individuals¹⁰ licensed as claims adjusters¹¹ at some point during calendar years 2017 through 2021.

While catastrophe adjusters are not required to be licensed, they may be licensed by LDI or in another state. Insurance companies might register an individual as a catastrophe adjuster even if they have a license. For example, 2,105 (27.7%) of 7,594 catastrophe adjusters who were registered for the calendar year 2020 and 2021 hurricanes were licensed as non-resident adjusters by LDI. However, the other 5,489 (72.3%) catastrophe adjusters were not licensed in Louisiana, and LDI has not historically collected information to determine whether catastrophe adjusters were licensed by another state. According to LDI, it will begin to capture this information for future disasters. See Exhibit 2 for the number of licensed and non-licensed catastrophe adjusters for the calendar year 2020 and 2021 hurricanes.

Exhibit 2					
Licensed and Non-Licensed Catastrophe Adjusters					
Calendar Year 2020 and 2021 Hurricanes					
Storm	Licensed by LDI	Not Licensed by LDI	Total	Percent Not Licensed by LDI	Calendar Year
Laura	1,067	2,242	3,309	67.8%	2020
Delta	617	1,580	2,197	71.9%	
Zeta	110	409	519	78.8%	
Ida	986	3,287	4,273	76.9%	2021
Total Unique*	2,105	5,489	7,594	72.3%	
* Individual catastrophe adjusters may register for multiple storms as they are declared. Total unique represents the unique number of individual catastrophe adjusters across all storms.					
Source: Prepared by legislative auditor's staff using LDI data.					

Prior to the calendar year 2020 and 2021 hurricanes, there were no minimum qualification requirements for an individual to act as a catastrophe adjuster. However, Act 575¹² of the 2022 Regular Legislative Session requires LDI to create a handbook that all registered catastrophe adjusters must attest to reading within ten days of registering. LDI stated that the handbook will include information about evaluating property damage caused by disasters

⁸ La. R.S. 22:1663

⁹ A resident license may also be issued when a person designates Louisiana as their home state. If an individual lives or works in a state that does not have substantially similar law governing adjusters as other states, the adjuster may declare another state, such as Louisiana as their home state in which he becomes licensed.

¹⁰ LDI does not keep historical data for all adjusters, which impacts the accuracy of our adjuster counts.

¹¹ Adjusters included in this total are those authorized for both property and casualty insurance lines and personal lines, meaning they can adjust residential claims but also other claims such as automobile.

¹² Act 575 goes into effect on January 1, 2023; <https://legis.la.gov/legis/BillInfo.aspx?i=243011>

prone to Louisiana such as hurricanes and floods. While this handbook adds some minimum qualification requirements, we found that three (42.9%) of the seven other southeastern, coastal states have more stringent requirements to ensure catastrophe adjusters are qualified. Specifically, Mississippi, South Carolina, and Texas have requirements that catastrophe adjusters be licensed in their state or another state prior to adjusting claims.¹³

Recommendation 1: LDI should obtain additional information about catastrophe adjusters upon registration to determine their licensure status and use this information to determine whether additional requirements, such as licensure of all catastrophe adjusters, should be adopted.

Summary of Management's Response: LDI agrees with this recommendation and stated that it will implement corrective actions accordingly. See Appendix A for LDI's full response.

Most complaints LDI received for the calendar year 2020 and 2021 hurricanes were related to issues with how insurance companies and adjusters were handling claims. While LDI exceeded its goal of completing 70% of complaint investigations within 42 days during calendar years 2017 through 2019, an influx of hurricane-related complaints in calendar years 2020 and 2021 led to LDI closing 55.9% of residential property complaints within 42 days. In addition, LDI did not always accurately report information related to complaints.

According to state law,¹⁴ policyholders have a right to file a complaint with LDI against any insurance company, agent, or adjuster. According to LDI, it investigates these complaints to determine whether the responding entity¹⁵ performed services in compliance with the law and the terms and conditions of the insurance policy. LDI is required by state law¹⁶ to track complaint data, and it uses this data to present complaint statistics in its annual report to the legislature. Among these statistics are performance metrics such as the average number of days to complete

¹³ South Carolina requires catastrophe adjusters to be licensed prior to adjusting claims, while Mississippi and Texas require catastrophe adjusters to be licensed prior to adjusting claims if their home state requires adjusters to be licensed. Alabama, Florida, Georgia, and North Carolina do not require catastrophe adjusters to be licensed.

¹⁴ La. R.S. 22:41

¹⁵ The responding entity is the insurance company, agent, or adjuster against whom the complaint was made.

¹⁶ La. R.S. 22:43 and La. R.S. 22:1972

complaint investigations, complaint dispositions,¹⁷ and the amount of money recovered¹⁸ by policyholders as a result of LDI's complaint investigation.

Of the 5,883 hurricane-related residential property complaints received by LDI during calendar years 2020 and 2021, 5,629 (95.7%) were related to issues with how insurance companies and adjusters were handling claims. In addition, complaints related to adjusters were most commonly about an adjuster being slow to respond. Claims handling was also the most common complaint for complaints not related to the calendar year 2020 and 2021 hurricanes.¹⁹ The most common claims handling issue reported by complainants regarding the calendar year 2020 and 2021 hurricanes was claim delay and unsatisfactory settlement. See Exhibit 3 for a summary of issues related to claims handling complaints.

Exhibit 3			
Number of Residential Property Complaints by Claims Handling Issue			
Calendar Year 2020 and 2021 Hurricanes			
Claims Handling Issue	Description	Number	Percentage
Claim Delay	Complaints that insurance companies delayed the claim process by sending an unnecessary number of adjusters, took too long to review or respond to claims, etc.	3,004	53.4%
Unsatisfactory Settlement	Complaints that the insurance company's payment or settlement offer was less than the amount expected by the claimant.	1,614	28.7%
Claim Denial	Complaints that insurance companies improperly denied claims.	996	17.7%
Adjuster Handling	Complaints about how adjusters performed duties such as not thoroughly inspecting damaged areas, submitting reports that conflicted with verbal statements provided to policyholders, etc.	975	17.3%
Other	Complaints related to assignment of benefits, insurance companies not complying with appeal procedures, etc.	276	4.9%
Total		5,629*	
* A single complaint can have multiple claims handling issues reported, so the number of complaints by claims handling issue is higher than the total number of complaints, and the percentage of complaints by claims handling issue is greater than 100%.			
Source: Prepared by legislative auditor's staff using LDI data.			

As a result of the potential issues with adjusters previously discussed, we analyzed a targeted selection of 200 complaints related to adjusters and found that 79 (39.5%) were due to an adjuster who was slow to respond or did not respond at all. In addition, 58 (29.0%) complaints were related to an adjuster's job performance, such as not visiting the property, not going on the roof or in the attic, or not disclosing the appeal process. After analyzing complaints related to

¹⁷ Complaint dispositions classify the outcome of complaint investigations. LDI uses dispositions recommended by the National Association of Insurance Commissioners (NAIC), including claim settled, insufficient information, referred for disciplinary action, etc.

¹⁸ According to LDI, recovered amounts are the differences in amounts originally offered by insurance companies and the amounts obtained by the policyholder after LDI's investigation.

¹⁹ Other complaint categories include Marketing and Sales, Policyholder Service, and Underwriting.

adjusters, we found that 635 (67.6%) of 940 closed complaints²⁰ were favorable to the complainant, meaning the claim was reopened, the claim was settled, the company's position was overturned, or the complaint resulted in recovered funds. Appendix C shows the complaint reason for the 200 complaints included in our targeted selection which were received by LDI during calendar years 2020 through 2021.

During calendar years 2017 through 2019, LDI exceeded its goal of completing timely complaint investigations. However, after an influx of hurricane-related complaints in calendar years 2020 and 2021, LDI only closed 3,433 (55.9%) of 6,141 completed residential property complaints within 42 days. LDI's performance standard during calendar years 2017 through 2021 was to complete 70% of complaint investigations for property and casualty insurance within 42 days.²¹ According to LDI, timely complaint investigations are important because of the impact that investigation outcomes can have on policyholders. For example, timely investigations may result in quicker payments to policyholders.

During calendar years 2017 through 2019, LDI completed 1,104 (83.9%) of 1,316 residential property complaints within 42 days, exceeding its goal of 70%. However, during calendar years 2020 through 2021, LDI completed investigations for 3,433 (55.9%) of 6,141 residential property complaints within 42 days.²² During this time, LDI experienced a significant increase in the number of complaints received due to the calendar year 2020 and 2021 hurricanes, including a 1,094% increase from 441 in calendar year 2019 to 5,264 in calendar year 2021. According to LDI, it re-assigned staff from unrelated divisions within LDI and temporarily hired additional employees to handle the increased workload, which required increased training and affected investigation times.

To determine why some complaint cases were open for more than 42 days, we reviewed a targeted selection of 45 complaints²³ and found that delays were often associated with the responding entity requesting an extension, claims involving pending litigation related to Loss of Use/Additional Living Expenses (ALE),²⁴ or the re-opening of a complaint. For example, 11 (24.4%) reviewed complaints were closed but later re-opened by LDI and assigned an updated closed date, causing the length of the investigation to appear greater than it was. According to LDI, there is currently no way in complaint data to tell when a complaint has been reopened, which affects the accuracy of investigation statistics in its annual report. In addition, we found that four (8.9%) complaints reviewed did not include explanations to account for the delayed completion.

²⁰ This number is lower than the total number of complaints because it is based on complaint investigations that were completed by March 15, 2022, which is the date that the data was provided.

²¹ We analyzed residential property complaints, which is a subset of property and casualty insurance, to determine the changes in the timely handling of those complaints.

²² LDI met its internal goal for non-hurricane-related residential property complaints received during calendar years 2017 through 2021, as it completed 2,209 (74.7%) of 2,256 within 42 days during this time.

²³ We reviewed a targeted selection of complaint cases that were open for more than 90 days, which is more than double the goal of 42 days.

²⁴ Ahead of Hurricane Ida, the Commissioner of Insurance issued a directive expanding the eligibility of ALE. Some insurance companies challenged the validity of this directive. Although the matter has since been settled by the courts, the litigation was still pending during our review of complaints.

LDI did not always report accurate information related to complaints, including the outcome of complaint investigations and the amount recovered as a result of complaint investigations. At the conclusion of a complaint investigation, LDI staff document the disposition²⁵ of the complaint investigation and any recovered funds paid to the policyholder. LDI makes this information available to the public and legislature in its annual report. According to the National Association of Insurance Commissioners (NAIC),²⁶ it is important that proper dispositions are assigned to complaints because they serve as a basis for further market analysis, trends in potential business practices, and potential regulatory actions. In addition, LDI stated in its annual report that high recovered amounts demonstrate the vital role the consumer complaint process can play after a disaster. However, we found that LDI did not always assign accurate dispositions or calculate accurate recovered amounts, as shown below:

- We found that 184 (3.6%) of 5,154 closed complaints were assigned dispositions that contradicted one another. For example, one complaint investigation we reviewed should have only included the disposition *company position substantiated*, which is favorable to the responding entity. However, LDI staff also incorrectly assigned dispositions of *claim settled* (considered favorable to the consumer) and *compromise settlement/resolution* (considered a neutral favorability).
- We found that 2,061 (66.7%) of 3,091 complaint investigations which LDI determined to have resulted in recovered funds, which is supposed to indicate a favorable outcome for the policyholder, were not assigned a disposition to indicate such.
- We reviewed a targeted selection of 82 complaints related to the calendar year 2020 and 2021 hurricanes with recovered amounts totaling \$37.0 million²⁷ and found that 33 (40.2%) had recovered amounts that were incorrectly calculated by \$22.6 million.²⁸ The actual recovered amount for these 82 complaints was \$14.4 million.

According to LDI staff, the incorrect dispositions were likely due to misunderstandings by staff on how dispositions should be used. In addition, LDI stated that the inaccurate recovered amounts were caused by issues such as omitting a decimal, adding a digit, or including a payment made to the policyholder before the complaint was filed. LDI staff stated that it suspended its quality assurance process, which is designed to identify and correct inaccurate dispositions and recovered amounts, in August 2020 due to the COVID-19 pandemic and because of an inundation of hurricane-related complaints. According to LDI, it will resume the quality assurance process this year and also plans to provide additional information and training to staff on the assignment of dispositions. Further, the issues described above did not affect the amount of funds received by policyholders.

²⁵ La. R.S. 22:43 requires LDI to document the disposition of complaint investigations.

²⁶ NAIC is the United States standard-setting and support organization for the regulation of the insurance industry.

²⁷ As of March 2022, LDI data indicated that it had recovered nearly \$134.9 million for policyholders as a result of complaint investigations related to the calendar year 2020 and 2021 hurricanes.

²⁸ One complaint accounted for \$20.6 million of the incorrectly calculated amount. Some of these were incorrectly reported in LDI's 2021 annual report, while others were fixed as a result of our review prior to them being reported.

Recommendation 2: LDI should consider implementing a process for tracking the re-opening and re-closing of complaints to ensure that metrics related to completing complaint investigations are accurate.

Summary of Management's Response: LDI agrees with this recommendation and stated that it will implement corrective actions accordingly. See Appendix A for LDI's full response.

Recommendation 3: LDI should resume its quality assurance processes to ensure accurate reporting of complaint information to the legislature and public.

Summary of Management's Response: LDI agrees with this recommendation and stated that it will implement corrective actions accordingly. See Appendix A for LDI's full response.

Recommendation 4: LDI should improve its processes for determining overall favorability for complaints to ensure that the information provided to the legislature and public is accurate.

Summary of Management's Response: LDI agrees with this recommendation and stated that it will implement corrective actions accordingly. See Appendix A for LDI's full response.

LDI conducted activities to monitor the market conduct of insurance companies in accordance with state law and best practices and plans to implement new procedures to identify claims handling issues. LDI could further enhance its monitoring of insurance companies by conducting additional market conduct investigations focused on claims handling. In addition, state law could be revised to include additional time frame requirements related to claims handling.

According to state law,²⁹ an insurance company owes policyholders a duty of good faith and fair dealing including the duty to adjust claims fairly and promptly. In addition, state law³⁰ allows LDI to examine and investigate all entities and individuals engaged in the business of insurance to determine whether they have engaged in unfair or deceptive acts such as unfair claims settlement practices. LDI monitors the claims settlement practices, business practices, and overall conduct (market conduct) of insurance companies to ensure the fair and equitable

²⁹ La. R.S. 22:1973

³⁰ La. R.S. 22:1967

treatment of Louisiana’s consumers. LDI incorporates NAIC best practices in monitoring the market conduct of insurance companies.³¹

Insurance regulators can access a broad continuum of market actions, such as market conduct analysis, market conduct investigations, and market conduct examinations, when determining the appropriate regulatory response to an identified issue or concern. LDI policy is to use market actions along the continuum that provide it with the greatest impact on the marketplace and utilize the least amount of resources to have the greatest impact for the consumer. In addition, NAIC states that LDI can choose to focus its market conduct activities on areas such as a specific line of business when needed. Exhibit 4 summarizes the primary market conduct activities utilized by LDI.

Exhibit 4	
LDI Activities to Monitor the Market Conduct of Insurance Companies	
Activity	Description
Market Conduct Analysis	Annual review of all insurance companies with \$50,000 or more in homeowners premiums. LDI uses an NAIC tool which calculates various ratios and scores based on information such as complaints, regulatory actions, premiums, court costs, and financial data. Insurance companies with ratios or scores outside the norm are selected for additional market conduct activities along the continuum.
Market Conduct Investigation	Investigations are initiated when concerns identified through the annual analysis cannot be resolved or through referrals from other LDI divisions. Investigations are more informal compared to examinations and may involve sending a letter to the insurance company requesting an explanation of an issue or looking further into claims information.
Market Conduct Examination	Examinations are used if LDI is unable to resolve concerns identified through analysis, investigations, or as needed. Examinations are often conducted by a vendor, the costs are paid by the company being examined, and they may take more than a year to complete. The intent of examinations is to determine if violations of insurance laws occurred and constitute a trend.

Source: Prepared by legislative auditor’s staff using information provided by LDI.

LDI conducted market conduct analyses, investigations, and examinations to monitor the market conduct of insurance companies in accordance with state law and best practices. LDI conducted an average of 108 market conduct analyses related to homeowners insurance each year during calendar years 2017 through 2021, which included an analysis of each insurance company that reported at least \$50,000 in homeowners insurance premiums for the prior year. LDI conducted a total of 196 market conduct investigations covering all lines of insurance during calendar years 2019 through 2021.³² Of the 196 investigations, 56 (28.6%) were related to homeowners insurance companies and included issues related to business practices and claims handling.

³¹ The NAIC Market Regulation Handbook, which is a guidance document to assist insurance departments in developing effective methodology related to market analysis, investigations, and exams is incorporated by reference in the Louisiana Administrative Code by LAC 37:16101.

³² LDI began using its Regulatory Management System to track market conduct investigations in 2018. We do not have complete data for calendar years 2017 through 2018, so those years were excluded from this analysis.

LDI initiated five market conduct examinations in calendar year 2021³³ to evaluate the complaint and claims handling practices of insurance companies related to Hurricanes Laura, Delta, and Zeta.^{34,35} According to LDI, the five companies it selected had high numbers of complaints relative to their market share. The examinations identified claims handling violations such as failure to pay claims timely. For example, one violation for failing to pay a claim timely was cited because the claim was paid more than six months after satisfactory proof of loss was submitted to the insurance company.³⁶

The examinations also found delays in settling claims due to the use of multiple adjusters. According to LDI, it is common for a claim to have multiple adjusters. However, the examinations found that the time to complete the claims process for claims with multiple adjusters ranged from two months to eleven months. To address concerns related to adjuster churn³⁷ when there is a named storm or hurricane, Act 263³⁸ of the 2022 Regular Legislative Session requires insurance companies to provide certain information, such as a written status report, a primary contact, and two or more direct means of communication with the primary contact, to claimants if three or more adjusters are assigned to one claim in a six-month period. See Exhibit 5 for a summary of market conduct examination findings related to claims handling.

Exhibit 5			
Market Conduct Examination Findings Related to Claims Handling*			
Violation	Instances	Sample	Percent
Company failed to pay a claim timely.	33	377	8.8%
The use of multiple adjusters caused a delay in the settlement of a claim.	18	696	2.6%
Company failed to maintain and/or provide records to policyholder.	16	696	2.3%
Company compelled the policyholder to initiate litigation to recover amounts due by offering substantially less than the amounts ultimately recovered.	2	137	1.5%
* While all five companies were examined in these areas, not all had violations in each of area. The examinations also found violations related to record keeping which are not included in this exhibit.			
Source: Prepared by legislative auditor's staff using market conduct examination reports.			

LDI conducted complaint reviews in response to the number of complaints received due to Hurricane Ida, and it plans to implement new procedures to identify insurance companies with claims handling issues. The NAIC best practices LDI follows to conduct market conduct monitoring encourage states to develop procedures specific to their state. As

³³ During calendar years 2017 through 2020, LDI did not conduct any market conduct examinations related to homeowners insurance.

³⁴ The examinations covered the period of August 2020 through June 2021, and the final reports for each examination were made public on April 11, 2022.

³⁵ The five market conduct examinations cost a total of \$691,977, with the cost to each as follows: United Property & Casualty (\$144,740), GeoVera (\$112,435), FedNat (\$156,285.50), Maison (\$143,700.50), and Allied Trust (\$134,816).

³⁶ La R.S. 22:1892 and 22:1973 state that insurance companies shall pay the amount of any claim due any insured within thirty/sixty days after receipt of satisfactory proofs of loss.

³⁷ When multiple adjusters are assigned to a claim which may delay the resolution of the claim.

³⁸ <https://legis.la.gov/Legis/ViewDocument.aspx?d=1288692>

previously discussed, common complaints from Louisiana policyholders included dissatisfaction with how insurance companies and adjusters handled their claims including claim delays and unsatisfactory settlement. According to NAIC, complaint information is the single most useful source of data for market analysis and can be used as an early warning system to detect problems and provide a basis for further market conduct review. LDI conducted complaint reviews for nine insurance companies that reported homeowners insurance premiums during calendar years 2018 through 2021. For example, in response to the perception that claim delay and adjuster churn were concerns related to Hurricane Ida homeowners claims, LDI reviewed 41 complaints for five insurance companies and found 18 (43.9%) had claims handling issues. As a result of that work, LDI referred four insurance companies to LDI's fraud and enforcement division for potential regulatory actions.³⁹ LDI also referred five adjuster companies that adjust claims on behalf of these insurance companies.

According to LDI, it is currently testing a new procedure to identify companies with potential claims handling issues during the annual market conduct analysis process. The new procedure will incorporate three new focus areas related to claims handling: claims closed without payment, claims unprocessed at the end of the period, and claims paid beyond 60 days. If insurance companies have scores outside the norm in these areas, they may be selected for additional market conduct activities.

LDI could further enhance its monitoring of insurance companies by conducting additional market conduct investigations focused on claims handling. In addition, state law could be revised to include additional time frame requirements related to claims handling. As mentioned previously, claims handling is the most common complaint, and these concerns were substantiated by findings from the complaint reviews and market conduct exams. Since market conduct investigations are less intrusive and less costly than market conduct examinations but still allow LDI to analyze claims information, investigations could be used more frequently to determine if there are claims handling issues at particular insurance companies. This information could then be used to determine whether a market conduct examination is needed. For example, only six (10.7%) of the 56 market conduct investigations conducted in calendar years 2019 through 2021 pertained to claims handling, with four related to civil authority, one related to roof damage caused by Hurricane Barry, and one related to an issue with estimating home replacement costs. The new procedures described above may identify additional opportunities for investigations related to claims handling.

In addition, House Bill 936⁴⁰ of the 2022 Regular Legislative Session, which passed both houses of the Louisiana Legislature but did not get through conference committee, would have added new time frame requirements to the claims handling process. For example, insurance companies would be required to acknowledge the receipt of claim related information provided by the policyholder and communicate with the policyholder if the information was sufficient or not within a specified time frame. These new time frame requirements would have encouraged more timely claims handling and would also allow LDI to more objectively assess if a company handled a claim timely.

³⁹ These investigations are ongoing and no regulatory action has been recommended as of the date the report is issued.

⁴⁰ <https://legis.la.gov/legis/ViewDocument.aspx?d=1273936>

Recommendation 5: LDI should consider conducting additional market conduct investigations focused on claims handling.

Summary of Management's Response: LDI agrees with this recommendation and stated that it will implement corrective actions accordingly. See Appendix A for LDI's full response.

Matter for Legislative Consideration 1: The legislature may wish to consider additional time frame requirements for the claims handling process to encourage more timely claims handling and to allow LDI to more objectively monitor companies' claims handling practices.

LDI issued 25 regulatory actions against homeowners insurance companies and 1,902 regulatory actions against adjusters during calendar years 2017 through 2021. Most regulatory actions were administrative in nature.

According to the National State Auditors Association (NSAA),⁴¹ regulatory agencies such as LDI should develop a systematic, fair, and progressively stringent enforcement process to ensure the public is adequately protected. The NSAA further states that when entities and individuals are found to be noncompliant with requirements and will not voluntarily come into compliance, then the regulatory agency must take action to compel them to comply or stop operating. State law⁴² gives LDI the authority to issue regulatory actions against entities and individuals who violate Louisiana's insurance code. LDI issues various regulatory actions including cease and desist orders, fines, and actions against licenses such as suspensions and revocations.

LDI issued 25 regulatory actions against 18 (12.6%) of 143 homeowners insurance companies during calendar years 2017 through 2021. Most regulatory actions were for administrative violations, such as failing to maintain records, failing to timely file required information, and using unapproved forms. The most common regulatory action was a fine, with a total of \$17,787 in fines paid by insurance companies. Other regulatory actions included cease and desist orders and measures taken against insurance company's licenses, such as placing them into rehabilitation. Also, 15 (60.0%) of 25 regulatory actions were related to administrative issues such as failing to maintain records, failing to timely file required information, and using unapproved forms. Only three (12.0%) were related to issues with claims handling. According to LDI, the reason why there were so few regulatory actions related to claims handling is because there were not many claims handling issues prior to the calendar year 2020 and 2021 hurricanes. Exhibit 6 shows the number of regulatory actions and fine amounts during calendar years 2017 through 2021.

⁴¹ [NSAA 2004 Carrying Out a State Regulatory Program](#)

⁴² La. R.S. 22:18

Exhibit 6						
Regulatory Actions and Fines Against Insurance Companies						
Calendar Years 2017 through 2021						
Type of Action	2017	2018	2019	2020	2021	Total
Regulatory Actions	2	2	7	5	9	25
Fines	\$1,500	\$1,787	\$2,500	\$4,250	\$7,750	\$17,787
Source: Prepared by legislative auditor's staff using information from LDI.						

After the scope of the data we received from LDI but prior to our report issuance, LDI also took regulatory action regarding the findings of its five market conduct exams conducted in calendar year 2021 previously mentioned. LDI proposed fine amounts for those companies totaling \$764,750, with amounts ranging from \$43,250 and \$250,000.⁴³

LDI issued 1,902 regulatory actions against 1,786 (1.1%) of the 156,175 adjusters who were licensed during calendar years 2017 through 2021. Most regulatory actions were for administrative violations, such as 1,663 (87.4%) for failure to maintain an accurate address.⁴⁴ The most common regulatory action against adjusters (87.9%) was a fine of \$50. Other regulatory actions included cease and desist orders and measures taken against the adjuster's license such as revocation or suspension. In addition, the majority of regulatory actions were for violations that were administrative in nature and did not relate to the job performance of adjusters. For example, 1,663 (87.4%) of 1,902 regulatory actions were related to inaccurate addresses, while only 31 (1.6%) were related to job performance, such as demonstrating a lack of fitness or trustworthiness or misrepresenting an insurance product or policy. As LDI continues to strengthen its market conduct activities related to claims handling, it may result in an increase in regulatory actions taken against insurance companies and adjusters. See Exhibit 7 for violations committed by adjusters.

⁴³ The proposed fine amounts for each of the five insurance companies were as follows: United Property & Casualty (\$250,000), GeoVera (\$183,000), FedNat (\$173,500), Maison (\$115,000), and Allied Trust (\$43,250).

⁴⁴ La. R.S. 22:1671 requires adjusters to maintain an accurate address with LDI.

Exhibit 7			
Regulatory Actions Against Licensed Adjusters by Violation			
Calendar Years 2017 through 2021			
Violation Type	Examples	Number of Regulatory Actions	Percent of Regulatory Actions
Inaccurate Address	Adjuster failed to update their address with LDI or provided an invalid address.	1,663	87.4%
Failure to report/disclose	Adjuster failed to make required disclosure on their license application or failed to notify LDI of information such as recent criminal charges or disciplinary actions from another state.	198	10.4%
Job Performance	Adjuster demonstrated lack of fitness or trustworthiness, misrepresented an insurance product or policy, etc.	31	1.6%
Other	Adjuster made a misstatement on their licensing application, failed to pay a previous fine, etc.	76	4.0%
Total		1,902*	
*The sum of regulatory actions associated with each violation type is greater than the total number of actions because a single regulatory action could be based on more than one violation. Source: Prepared by legislative auditor's staff using LDI data.			

APPENDIX A: MANAGEMENT'S RESPONSE



LOUISIANA DEPARTMENT OF INSURANCE
JAMES J. DONELON
COMMISSIONER

September 19, 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 *Regulation of Residential Property Insurance*.

LDI concurs with the five recommendations contained in your report as indicated on the attached Checklist for Audit Recommendations and will implement corrective actions accordingly.

Your staff was very professional and courteous throughout the audit process and we truly appreciate their work. If you have any questions, please contact either me or Lance Herrin, Deputy Undersecretary.

Sincerely,



S. Denise Gardner
Chief of Staff



Louisiana Legislative Auditor
Performance Audit Services

Checklist for Audit Recommendations

Agency: Louisiana Department of Insurance

Audit Title: Regulation of Residential Property Insurance

Audit Report Number: 40220008

Instructions to Audited Agency: Please fill in the information below for each recommendation. A summary of your response for each recommendation will be included in the body of the report. The entire text of your response will be included as an appendix to the audit report.

Finding: Most adjusters for the calendar year 2020 and 2021 hurricanes were licensed, meaning they demonstrated they were qualified to adjust claims by passing an exam and meeting other licensure requirements. However, catastrophe adjusters are not required to be licensed, and prior to the 2020 and 2021 hurricanes, there were no qualification requirements for an individual to act as a catastrophe adjuster.

Recommendation 1: LDI should obtain additional information about catastrophe adjusters upon registration to determine their licensure status and use this information to determine whether additional requirements, such as licensure of all catastrophe adjusters, should be adopted.

Does Agency Agree with Recommendation? Agree Disagree

Agency Contact Responsible for Recommendation:

Name/Title: *Matthew Stewart, Deputy Commissioner*
 Address: *1702 N. 3rd Street*
 City, State, Zip: *Baton Rouge, LA 70802*
 Phone Number: *(225) 219-5941*
 Email: *Matthew.Stewart@ldi.la.gov*

Finding: Most complaints LDI received for the calendar year 2020 and 2021 hurricanes were related to issues with how insurance companies and adjusters were handling claims. While LDI exceeded its goal of completing 70% of complaint investigations within 42 days during calendar years 2017 through 2019, an influx of hurricane-related complaints in calendar years 2020 and 2021 led to LDI closing 55.9% of residential property complaints within 42 days. In addition, LDI did not always accurately report information related to complaints.

Recommendation 2: LDI should consider implementing a process for tracking the re-opening and re-closing of complaints to ensure that metrics related to completing complaint investigations are accurate.

Does Agency Agree with Recommendation?	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree
Agency Contact Responsible for Recommendation:		
Name/Title:	Robert Barnes, Insurance Administrator	
Address:	1702 N. 3rd Street	
City, State, Zip:	Baton Rouge, LA 70802	
Phone Number:	(225) 219-7813	
Email:	Robert.Barnes@ldi.la.gov	

Recommendation 3: LDI should resume its quality assurance processes to ensure accurate reporting of complaint information to the legislature and public.

Does Agency Agree with Recommendation?	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree
Agency Contact Responsible for Recommendation:		
Name/Title:	Robert Barnes, Insurance Administrator	
Address:	1702 N 3rd Street	
City, State, Zip:	Baton Rouge, LA 70802	
Phone Number:	(225) 219-7813	
Email:	Robert.Barnes@ldi.la.gov	

Recommendation 4: LDI should improve its processes for determining overall favorability for complaints to ensure that the information provided to the legislature and public is accurate.

Does Agency Agree with Recommendation?	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree
Agency Contact Responsible for Recommendation:		
Name/Title:	Robert Barnes, Insurance Administrator	
Address:	1702 N 3rd Street	
City, State, Zip:	Baton Rouge, LA 70802	
Phone Number:	(225) 219-7813	
Email:	Robert.Barnes@ldi.la.gov	

Finding: LDI conducted activities to monitor the market conduct of insurance companies in accordance with state law and best practices and plans to implement new procedures to identity claims handling issues. LDI could further enhance its monitoring of insurance companies by conducting additional market conduct investigations focused on claims handling. In addition, state law could be revised to include additional time frame requirements related to claims handling.

Recommendation 5: LDI should consider conducting additional market conduct investigations focused on claims handling.

Does Agency Agree with Recommendation?	<input checked="" type="checkbox"/> Agree	<input type="checkbox"/> Disagree
Agency Contact Responsible for Recommendation:		
Name/Title:	Robert Barnes, Insurance Administrator	
Address:	1702 N 3rd Street	
City, State, Zip:	Baton Rouge, LA 70802	
Phone Number:	(225) 219-7813	
Email:	Robert.Barnes@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 December 31, 2021. Our audit objective was:

To evaluate the Louisiana Department of Insurance’s regulatory activities to ensure that insurance companies comply with laws and handle claims fairly and timely.

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 objective, we reviewed internal controls relevant to the audit objective and performed the following audit steps:

- Researched relevant state laws, regulations, and policies related to the regulation of the insurance industry.
- Researched best practices related to adjusters, complaints, market conduct reviews, and regulatory actions.
- Researched other relevant information such as news articles, LDI’s Annual Reports, and recent legislation related to the regulation of the insurance industry.
- Met with stakeholder groups and legislators to understand current concerns.
- Met with LDI management and staff to obtain an understanding of activities performed by LDI to license adjusters, investigate complaints, perform market conduct activities, and issue regulatory actions.

- Obtained and analyzed LDI’s Regulatory Management System (RMS) data for calendar years 2017 through 2021 for individuals and entities associated with residential property insurance. This data included information regarding insurance companies, adjusters, complaints, market conduct reviews, and regulatory actions.

Adjusters

- Analyzed LDI’s RMS data to determine the number of licensed adjusters authorized to adjust property and casualty and personal lines claims and catastrophe adjusters. We excluded public adjusters from our counts and analysis.
- Researched Louisiana and other southeastern coastal states’ laws related to licensing catastrophe adjusters.

Complaints

- Analyzed LDI’s RMS data to identify and quantify the number of complaints related to residential property insurance which includes both general homeowners policies and policies for home-related coverage for specific events such as fire, wind, and hail. We analyzed complaints for all years in our scope and also complaints specifically related to the hurricanes that occurred during calendar years 2020 and 2021.
- Analyzed LDI’s RMS data to determine if complaint cases were closed in accordance with LDI’s timeliness goals.
- Analyzed a targeted selection of 200 complaints related to adjusters for the calendar year 2020 and 2021 hurricanes to determine the reason for the complaint. We did not use the results from the analysis of 200 complaints to extrapolate to the population. We identified complaints to include in the targeted selection by performing the following steps:
 - We identified 1,021 complaints related to adjusters for residential property for the calendar year 2020 and 2021 hurricanes. This included 934 complaints against an insurance company that listed “adjuster handling” as the claims handling issue and 87 complaints against licensed adjusters or adjuster agencies.
 - We included the following in our targeted selection:
 - All 87 complaints against licensed adjusters or adjuster agencies.
 - 113 of 934 complaints against an insurance company that listed “adjuster handling” as the claims handling issue. We performed a random sample by using Galvanize’s ACL Analytics sampling function within this population of 934 complaints to obtain the 113 complaints included in our targeted selection.
- Analyzed a targeted selection of 45 complaints open longer than 90 days to determine why some complaint investigations may have taken longer to complete.

We did not use the results from the analysis of 45 complaints to extrapolate to the population. We identified complaints to include in the targeted selection by performing the following steps:

- We identified 903 complaints that were open longer than 90 days.
- We analyzed the complaints to identify ranges of how long complaints were open and included the following in our targeted selection:
 - All nine complaints that were open for more than 300 days.
 - Nine of 19 complaints that were open between 201 and 300 days. We chose nine complaints to keep each of the stratifications the same size. We performed a random sample by using Galvanize's ACL Analytics sampling function within this population of 19 complaints to obtain the nine complaints included in our targeted selection.
 - Nine of 290 complaints that were open between 151 and 200 days. We performed a random sample by using Galvanize's ACL Analytics sampling function within this population of 290 complaints to obtain the nine complaints included in our targeted selection.
 - Nine of 219 complaints that were open between 121 and 150 days. We performed a random sample by using Galvanize's ACL Analytics sampling function within this population of 219 complaints to obtain the nine complaints included in our targeted selection.
 - Nine of 366 complaints that were open between 91 and 120 days. We performed a random sample by using Galvanize's ACL Analytics sampling function within this population of 366 complaints to obtain the nine complaints included in our targeted selection.
- Analyzed a targeted selection of 82 complaints with recovered amounts to determine whether there were any errors in recovered amounts in LDI's data. We did not use the results from the analysis of 82 complaints to extrapolate to the population. We chose different numbers of complaints from the various stratifications based on the recovered dollar amounts associated with the complaints. We identified complaints to include in the targeted selection by performing the following steps:
 - We identified 3,091 complaints with recovered amounts.

- We analyzed the complaints to identify ranges of recovered amounts and included the following in our targeted selection:
 - All five complaints with a recovered amount greater than or equal to \$500,000.
 - All 22 complaints with a recovered amount between \$250,000.01 and \$499,999.99.
 - 25 of 626 complaints with a recovered amount between \$50,000.01 and \$250,000. We performed a random sample within this population of 626 complaints to obtain the 25 complaints included in our targeted selection.
 - 25 of 1,458 complaints with a recovered amount between \$10,000.01 and \$50,000. We performed a random sample within this population of 1,458 complaints to obtain the 25 complaints included in our targeted selection.
 - Five of 3,722 complaints with a recovered amount between \$0 and \$10,000. We performed a random sample within this population of 3,722 complaints to obtain the five complaints included in our targeted selection.
- Analyzed complaint data, reviewed files, and obtained additional info from LDI to determine whether there were any errors in dispositions.

Market Conduct

- Analyzed LDI RMS data to identify insurance companies that reported premiums for homeowners insurance during our scope.
- Analyzed LDI RMS data to determine if LDI conducted market conduct activities including analysis, investigations, and exams in accordance with state law and best practices.
- Obtained and analyzed market conduct exam reports.
- Obtained and analyzed information related to complaint reviews.

Regulatory Actions

- Analyzed LDI RMS data to identify regulatory actions against homeowner insurance companies and licensed adjusters authorized to adjuster property and casualty and personal lines claims We excluded public adjusters from our counts and analysis.

APPENDIX C: CALENDAR YEAR 2020 AND 2021 HURRICANES COMPLAINTS RELATED TO ADJUSTERS

This appendix shows the complaint reason for 200 complaints included in a targeted selection of complaints related to adjusters which were received by LDI during calendar years 2020 through 2021.

Complaint Reason	Number*	Percent
Delayed or no response. Adjuster was either slow to respond or did not respond at all.	79	39.5%
Adjuster job performance. Adjuster was not fulfilling duties as expected. Examples include not showing up when promised to do so, not properly inspecting a site, not getting on the roof/in the attic, etc.	58	29.0%
Claim valuation. Adjuster did not properly value the claim or assess the damages.	41	20.5%
Adjuster behavior. Adjuster demonstrated rude or questionable behavior, such as foul language or discrimination.	31	15.5%
Multiple adjusters. Claim was assigned to multiple adjusters.	10	5.0%
Other reasons. For example, the incorrect policy was applied, unlicensed adjusters, and being forced to seek legal counsel.	14	7.0%
Total Reviewed Complaints	200	
*The sum of complaints associated with each complaint reason is greater than the total number of complaints reviewed because a single complaint could relate to more than one complaint reason. Source: Prepared by legislative auditor's staff using LDI data.		