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TA 191

October 18, 2001

**SUBJECT: LIRC Approval of FAIR Plan Rates**

**Background:** In recent years, FAIR Plan rates have lagged behind increases in the voluntary market. As a result, the FAIR Plan has become one of the most competitive property markets in Louisiana. At the same time, loss experience in the FAIR Plan has deteriorated to the point that insurers will soon be facing additional assessments to fund the normal operations of the FAIR Plan. To add insult to injury, insurers were assessed over \$35 million in addition to their normal assessments to pay for last year's hail storm in New Orleans. The culmination of these events has resulted in serious concerns about the FAIR Plan rate structure.

**Main Points:** In order to address increasing loss ratios and insure assessments, the PIAL FAIR Plan Board of Directors voted to file a 25 percent across-the-board rate increase with the Louisiana Insurance Rating Commission (LIRC). On Wednesday, October 17, 2001, the LIRC approved the 25 percent rate increase for the FAIR Plan. This 25 percent rate increase will affect all policyholders in all territories and will be effective April 1, 2002.

**Necessary Action:** Please advise all agency personnel who deal with the FAIR Plan of this 25 percent rate increase.