

TECHNICAL ADVISORY

TA-98

December 16, 1996

SUBJECT: FAIR AND COASTAL PLAN CHANGES

BACKGROUND: Louisiana has begun to experience a major property insurance crisis. IIAL was concerned that the availability of property insurance could well face the market availability crisis similar to that of workers' compensation at the beginning of this decade. This concern developed as companies began to write property insurance excluding wind. We view this underwriting decision as being one that is accelerating rapidly.

Losses of Fair and Coastal plans are paid by PIAL member companies based on their share of the property insurance market. IIAL's concern was that companies might choose to reduce their exposure by reducing their volume of property insurance statewide.

MAIN POINTS: IIAL surveyed its membership to determine precisely what issues its membership had in the operation of the Fair and Coastal plans. Based on the results of the survey and our view of the marketplace, negotiations were undertaken with the Fair and Coastal plans. The results of these discussions have been extremely fruitful. Agents have already advised of certain changes in the plan.

Commissioner Brown was notified of additional changes on December 9, 1996. We are pleased with the results that have occurred through negotiations with Commissioner Brown, the Louisiana Joint Reinsurance plan and Louisiana Insurance Underwriting Plan. The changes are:

- Dwelling form DWG3 will be made available immediately.
- Homeowners Coverage A (dwellings) will be increased to \$350,000. Homeowners Coverage F (liability limits) will be increased to \$300,000.
- Homeowners replacement cost protection for personal property will be provided. Coverage for commercial buildings will be increased to \$2,000,000. Coverage for business personal property will be increased to \$1,000,000.

- The Fair and Coastal plans will accept ACORD applications. The plan will require a supplement application and use of ACORD will not be approved until such time as this form is designed.
- An automatic renewal system for personal lines, monolines, fire and homeowners will be initiated for policies expiring in February.
- The Fair and Coastal plans are reviewing factors used for stand alone windstorm and hail policies for both personal and commercial business.

A study committee has been formed to address two issues raised by IIAL. The first proposal is the possibility of providing member companies with the ability to cede wind and hail coverage to PIAL. One policy would be provided; differences in coverage and policy forms would be eliminated; a regular company adjuster would be available to handle losses; etc. A second proposal is the availability of reinsurance for the plan.

**NECESSARY
ACTION:**

Review this Technical Advisory with all personal and commercial line staff of the changes taking place in the Fair and Coastal Plan.