

2022 Regular Session

SENATE BILL NO. 243

BY SENATOR ALLAIN

PROPERTY INSURANCE. Provides with regard to depopulation of Louisiana Citizens Property Insurance Corporation. (gov sig)

1 AN ACT

2 To amend and reenact R.S. 22:2314, relative to Louisiana Citizens Property Insurance  
3 Corporation; to provide for the policy take-out program; to provide conditions and  
4 limitations on the take-out program; and to provide for related matters.

5 Be it enacted by the Legislature of Louisiana:

6 Section 1. R.S. 22:2314 is hereby amended and reenacted to read as follows:

7 §2314. Policy take-out program

8 A. The legislature created the Louisiana Citizens Property Insurance  
9 Corporation to operate insurance plans as a residual market for residential and  
10 commercial property. The legislature further intends that the corporation work  
11 toward the ultimate depopulation of these residual market plans. To encourage the  
12 ultimate depopulation of these residual market plans, there is hereby created the  
13 Louisiana Citizens Property Insurance Corporation Policy Take-Out Program.

14 B.(1) ~~Not less than once per calendar year, the corporation, with the approval~~  
15 ~~of the~~ **The** governing board of the corporation, may offer some or all of its in-force  
16 policies for removal to the voluntary market. ~~The~~ **If the** corporation **offers policies**  
17 **in-force for removal to the voluntary market, it** shall include ~~in any offers for~~

1       ~~depopulation~~ **those** policies that, based on geographic and risk characteristics, serve  
2       to reduce the exposure of the corporation.

3               (2) Each insurer participating in the take-out program ~~shall~~ **may** be offered  
4       all of the corporation's in-force policies. ~~In response, the insurers~~ **Each insurer**  
5       **participating in the take-out program** shall provide the corporation with a list of  
6       policies they propose to take out subject to authorization by the policy's agent of  
7       record. No policy shall be assumed by a take-out company without the authorization  
8       of the agent of record.

9               C. Each insurer admitted to write homeowners insurance or insurance  
10       insuring one- or two-family owner occupied premises for fire and allied lines or  
11       insurance which covers commercial structures in the state of Louisiana may apply  
12       to the Louisiana Citizens Property Insurance Corporation to become a take-out  
13       company. Insurers will be approved to participate in the depopulation of the  
14       Louisiana Citizens Property Insurance Corporation based on the following criteria:

15              (1) The capacity of the insurer to absorb the policies proposed to be taken out  
16       of the corporation and the concentration of risks of those policies. ~~Such~~ **This**  
17       capacity may be evidenced by providing to the Louisiana Citizens Property  
18       Insurance Corporation a copy of a valid certificate of authority issued by the  
19       Department of Insurance to the insurer. An insurer shall not be qualified to  
20       participate in the take-out program unless that insurer has at least ~~a B+~~ **an A or**  
21       **A**-rating with A.M. Best, or its equivalent.

22              (2) An insurer shall have the rates proposed to be charged for the policies  
23       being taken out, filed, and approved by the Department of Insurance with an  
24       effective date prior to the assumption of policies. The insurer shall provide proof to  
25       Louisiana Citizens Property Insurance Corporation that the rates have been approved  
26       and are adequate under R.S. 22:1451 et seq.

27              (3) The rates which are charged by the company submitting a take-out plan  
28       **must shall** comply with R.S. 22:2303 in the first year that the company charges  
29       premiums to the customer. During the second and third years of coverage, the take-

1 out company shall apply to the Department of Insurance for rates which are  
2 actuarially justified, but in no case may the rates be greater than those authorized in  
3 R.S. 22:2303.

4 D. The corporation shall submit an insurer's application to participate to the  
5 governing board for approval.

6 E. The board of directors of the Louisiana Citizens Property Insurance  
7 Corporation shall develop guidelines for the take-out program which shall be filed  
8 with and approved by the Senate Committee on Insurance, the House Committee on  
9 Insurance, and the commissioner of insurance.

10 F. The provisions of this Section shall not be construed to impair or prohibit  
11 the right of any Louisiana Citizens Property Insurance Corporation policyholder,  
12 upon receipt of an approved take-out offer, to retain his current producer, so long as  
13 that producer is a licensed insurance producer authorized to bind insurance coverage  
14 for the FAIR and Coastal Plans, or to retain Louisiana Citizens Property Insurance  
15 Corporation as their insurer. This right shall not be canceled, suspended, impeded,  
16 abridged, or otherwise compromised by any rule, plan of operation, or depopulation  
17 plan

18 Section 2. This Act shall become effective upon signature by the governor or, if not  
19 signed by the governor, upon expiration of the time for bills to become law without signature  
20 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If  
21 vetoed by the governor and subsequently approved by the legislature, this Act shall become  
22 effective on the day following such approval.

---

The original instrument and the following digest, which constitutes no part  
of the legislative instrument, were prepared by Thomas L. Tyler.

---

DIGEST

SB 243 Original                      2022 Regular Session                      Allain

Present law authorizes the Louisiana Citizens Property Insurance Corporation to create the Louisiana Citizens Property Insurance Corporation Policy Take-Out Program to depopulate the residual market plans.

Present law authorizes the corporation to offer some or all of its in-force policies to insurers for removal to the voluntary market not less than once per calendar year.

Proposed law removes the requirement that the corporation offer policies for removal to the voluntary market not less than once per calendar year.

Present law provides that the approval of insurers to participate in the depopulation program be based on the following criteria:

- (1) Capacity of the insurer to absorb the policies proposed to be taken out and the concentration of risks of those policies and that the insurer has at least a B+ rating with A.M. Best or its equivalent.
- (2) That rates to be charged be approved by the department prior to assumption of the policies.
- (3) That the rates comply with provisions in the La. Insurance Code regarding rates, rating plans, and rate rules.

Proposed law retains these provisions in the present law but requires that the insurer participating in the take-out program have at least an A or A-rating with A.M. Best, or its equivalent.

Present law cannot be construed to impair the right of any Louisiana Citizens Property Insurance Corporation policyholder to retain his current producer if licensed and authorized to bind insurance coverage for the FAIR and Coastal Plans, or to retain Louisiana Citizens Property Insurance Corporation as their insurer. This right shall not be canceled, suspended, impeded, abridged, or otherwise compromised by any rule, plan of operation, or depopulation plan.

Proposed law retains the present law but provides that it not be construed to prohibit the right of a Corporation policyholder to retain his current producer or to retain the corporation as his insurer.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Amends R.S. 22:2314)