

Jefferson Parish 2023 Insurance Report and Action Plan

Fall, 2023

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I. Overview

Jefferson Parish is a hub of economic activity in southeast Louisiana, offering a compelling quality of life for residents and a favorable climate for businesses. In 2020 and 2021, four major storms made landfall on the Louisiana coast. The aftermath of those storms—uncertainty and volatility in the insurance market—has threatened the economic vitality of Jefferson and the surrounding region. At present, the insurance market in southeast Louisiana faces critical challenges that have profoundly reduced the availability of affordable property and flood insurance. Louisiana cannot expect to attract and retain residents and businesses in the face of a de facto "insurance tax" that has arisen in recent years. It is not an exaggeration to describe the current insurance crisis as the most immediate economic development risk that Jefferson Parish and its neighbors face.

Fortunately, there are solutions to this problem. There is also the instructive precedent of an insurance market that did in fact stabilize after Hurricane Katrina in 2005—a consequence of aggressive policy actions in the aftermath of that event. This time around, the actions at the state and local level to improve the insurance market have been at least as aggressive, and early returns are positive.

The purpose of this report is threefold:

- to provide a comprehensive analysis of the current state of insurance in Jefferson Parish and the region
- to highlight the policy measures that have recently been enacted to improve the insurance market
- to recommended future action items to mitigate risk from disasters and bolster the insurance marketplace.

II. Historical and Geographical Context

Jefferson Parish and the New Orleans region face inherent challenges due to their elevation and proximity to the coast
Photo credit: Casino Jones

Jefferson Parish's low-lying topography and proximity to the Gulf make it more susceptible to the threat of tropical events than many other communities. Thus, even in ordinary circumstances, Jefferson and the region have certain "baked in" insurance challenges that necessitate proactive, vigilant action to reduce risk. The region has experienced severe storms over the years, with 2005's Hurricane Katrina still the costliest hurricane in American history[i]. Katrina had a seismic impact on the property insurance market in the region, which up to that point had been comparable to other communities across the United States. While the region has not experienced a storm on the order of Katrina since then, there have been numerous major hurricanes that have hit Louisiana and the Gulf Coast in the 18 years since Katrina struck.

In 2020, Hurricanes Laura and Delta caused substantial damage in southwest Lousiana. Also in 2020, Hurricane Zeta brought moderate impacts to the New Orleans area. And Hurricane Ida caused significant damage to the New Orleans region in 2021. Further afield, Hurricane Ian in 2022 was a major disaster for Florida Gulf Coast communities south of Tampa; Hurricane Idalia struck Florida's Gulf Coast in 2023; and there have been massive wildfires along the West Coast and most recently in Hawaii. While many of these events are geographically distant from Jefferson Parish, their cumulative effect has wreaked havoc on the insurance and reinsurance markets[ii]. Those impacts to the industry, paired with Louisiana's recent hurricane events and historic vulnerability to storms, have created the insurance crisis that the region now faces.

Furthermore, the frequency of hurricanes only seems to be increasing. The year 2020 was the most active Atlantic hurricane season on record, with a total of 11 storms making landfall along the U.S. Coastline[iii]. Whereas the New Orleans region experienced effectively no major hurricanes in the 40-year period from 1965 until Hurricane Katrina in 2005, the region has been impacted by five Hurricanes in the 18 years since[iv]. All of this underscores the critical task of addressing this challenge head on.

This report addresses two complementary aspects of remedying the insurance crisis—making Louisiana a more business-friendly location for insurers to write policies and, secondly, reducing the impact of major storms. While both are important, it is the second issue—making Louisiana much more resilient in the face of natural disasters—that will fundamentally change the arithmetic of loss payouts in relation to insurance premiums. As long as the former greatly exceeds the latter, Louisiana will struggle to attract insurance companies to write policies and will see unusually high premiums.

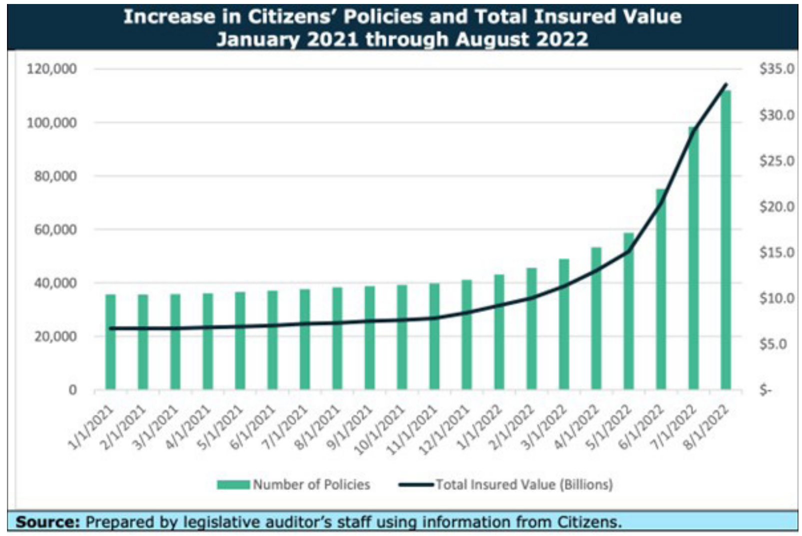
State of the Property Insurance Market

In 2008, JEDCO commissioned a "Strategic Implementation Plan," similar to this one, to deal with the emerging insurance crisis after Hurricane Katrina. Fortunately, through a combination of aggressive policy actions and a respite from major storms, the insurance market gradually returned to a state of relative normalcy. In 2019 there were 133[v] companies writing homeowners policies in the state, and in 2021 the number of households covered by Louisiana Citizens Property Insurance Corporation (the State-funded insurer of last resort known as "Louisiana Citizens") was down to 36,000[vi]. However, after the four named storms that struck Louisiana in 2020 and 2021, over 50 insurance providers have either gone out of business completely or stopped writing policies in the state[vii]. A clear indicator of the overall health of the insurance market is the number of policies held by Louisiana Citizens. The express purpose of Louisiana Citizens is to provide coverage only when it is effectively unavailable in the private marketplace. As the State's publicly-backed insurer of last resort, Louisiana Citizens intentionally prices coverage above what is available on the private market to preserve a competitive marketplace, ensure that Citizens remains actuarially sound, and protect the State's coffers. From the standpoint of an individual homeowner, this insurance of last resort is very costly. In recent years, Citizens' rolls have swelled to well over 128,000 policies[viii], representing about three times the amount held on its books in 2019.

Recent Gulf Coast hurricanes, such as Hurricane Ian which struck Florida in 2022, have roiled the insurance market
Photo credit: Jenni Konrad

On the hook for billions in claims, bogged down by litigation, and pinched by the cost of reinsurance, insurance companies have responded by raising premiums to unprecedented levels while reducing their presence in Louisiana.

Meanwhile, other companies that had been writing policies in Louisiana but that were undercapitalized have gone out of business as claims from the 2020 and 2021 storms have far outstripped their ability to pay.



The number of policies held by Louisiana Citizens has skyrocketed in recent years
Source: Louisiana Department of Insurance, "Financial Condition of the Residential Property Insurance Market"

Simply put, the resulting crisis for homeowners and businesses is one of affordability. What is effectively a crippling "insurance tax" is pricing many Louisianans out of their homes and keeping people, particularly first-time homebuyers, out of the real estate market. Home sales in metro New Orleans fell by nearly 13% in 2022 compared to 2021, while the inventory of available homes was up 68%.[ix] For the first six months of 2023, Orleans and Jefferson Parishes saw a nearly 7% decline in median sale price for a single-family home, and a 25% drop in sales volume.[x]

Jefferson and Orleans Parish rank first and second, respectively, in claims and paid losses reported for hurricanes Zeta[xi] and Ida[xii], according to the Louisiana Department of Insurance. LIGA, the Louisiana Insurance Guaranty Association, which is effectively the State FDIC for insurance claims, received approval in 2022 to borrow $600 million in bonds to help cover these unresolved claims[xiii]. State-licensed insurers shoulder the burden of paying off the bonds but eventually recoup their money through rebates on taxes on insurance premiums. This ultimately means that less money goes into the State's general fund, thus impacting Louisiana taxpayers.

As with homeowners insurance, the situation is similarly dire for commercial coverage. Thousands of business owners are now relying on Louisiana Citizens for their property coverage[xiv]. In November 2022, Louisiana Citizens raised their commercial coverage premiums by 73%, surpassing the 63% rate hike for Citizens' homeowners coverage that went into effect in early 2023[xv]. The specifics of individual properties and insurance policies vary substantially, but based on anecdotal evidence, some homeowners have witnessed a threefold increase in insurance premiums as compared to several years ago[xvi]. From New Orleans to Lake Charles, property owners are struggling to transact because the insurance premiums for potential buyers are becoming prohibitive.

The recent uptick in the frequency and severity of natural disasters is not the only cause for soaring premiums, as the state faces a human-made challenge as well. Louisiana has a well-deserved reputation for litigiousness and being a hostile market for insurance providers. According to a recent insurance industry report, the state's onerous bad faith laws contribute significantly to inflated claims payments and awards[xvii]. Within the insurance industry, there is near unanimity that a more salutary legal climate in line with other states is an essential component of keeping premiums down and coverage widely available. This is especially true in light of the inherent challenges that Louisiana faces as a market—frequent impactful storms and, unlike Florida or Texas, a relatively small population and economy.

Flood Insurance – Risk Rating 2.0

As most Louisianians know, flood insurance operates as an entirely different marketplace than property coverage. Created by the federal government partially in response to Hurricane Betsy in 1965, the National Flood Insurance Program (NFIP) is a publicly managed, FEMA-administered program. Flood insurance is required by banks holding mortgages on homes within the so-called Special Flood Hazard Area (SHFA). Over 50% of the urbanized land area within Jefferson Parish falls within the SFHA[xviii], which is comprised of various flood zone designations such as AE and VE. While NFIP is insulated somewhat from the pressures that private industry faces in the property insurance market, NFIP has been under tremendous political pressure in recent years to remedy the structural deficit that has arisen from major flood events (e.g. Hurricanes Katrina and Sandy) along with artificially low flood premiums. In response to this pressure from elected officials and in an effort to make NFIP actuarially sound, FEMA unveiled a new Risk Rating 2.0 system in 2021[xix].

Risk Rating 2.0 is intended to discourage new development in coastal locations like this, but it may have the unintended effect of "red-lining" existing coastal communities—even those with levee systems and other mitigation measures, like Jefferson Parish.
Photo credit: Jay Kleeman

While the goal of stabilizing the finances of NFIP is laudable, the pendulum appears to have swung too far in the other direction, especially from the vantage point of Louisiana residents. Louisiana is projected to see an average rate spike of 134% for single-family home flood coverage, phased in over the next several years[xx]. Orleans, Jefferson, and St. Tammany Parishes are projected to see rate hikes of 99%, 150%, and 126%, respectively[xxi]. One of the goals of a more actuarially sound NFIP is to discourage new development in risky areas, but as currently structured, Risk Rating 2.0 may effectively "redline" development in established communities, slowly starving them of residents and capital. The profound cost increases of the new NFIP will be felt particularly hard by low- and moderate-income households and their neighborhoods at large.

The new rating system has also been criticized for being particularly opaque. Under the old system, pricing relied on FEMA's published flood maps and corresponding base flood elevation requirements. Under Risk Rating 2.0, pricing is now based on a set of 40 rating factors, whose scoring rubric is unclear[xxii]. With a few exceptions, it is unclear from the vantage point of homeowners and local decision makers how to manipulate these 40 factors in a way that reduces risk. Because of the opacity of the rubric, it is also unclear exactly how NFIP now treats engineered, community-scale interventions such as levees, pumps, and flood walls. The $15 billion hurricane protection system that was completed after Hurricane Katrina provided meaningful insurance premium relief to tens of thousands of homeowners under the previous NFIP regime. Under Risk Rating 2.0, it is now unclear what effect the region's strengthened flood defenses have on flood premiums[xxiii].

When layered on top of the homeowners insurance crisis, the rollout of Risk Rating 2.0 has delivered a double whammy to Louisiana property owners. Worst of all, these effects are being felt all at once. To be clear, property insurance remains the biggest, most economically impactful insurance crisis that Louisiana faces, but reforming NFIP must also be a priority for Jefferson and the region.

III. Actions Underway

If there is any silver lining to the current insurance crisis, it is that state and local leaders grasp the gravity of the situation and are moving quickly to address it. It is too early to determine the effectiveness of recent efforts, but their breadth and ambition are substantial. Recent actions are focusing both on reducing the impact of natural disasters in Louisiana and improving the economic climate for insurers. This section provides an overview of these recently enacted measures.

Measures to Mitigate Risk

The word "resilience" has become an almost over-used buzzword in recent years, but for South Louisiana, resilience must continue to be a primary, guiding principle of our policy efforts. A more resilient Louisiana is one in which even storms like Hurricane Ida[xxiv] are a nuisance event rather than a major disaster. A resilient south Louisiana is one in which individual roofs and structures are fortified to incur only minor damage from hurricanes; where key infrastructure is unaffected or at worst, is able to be restored within hours and not weeks; where the risk of major flooding has been minimized because of stronger flood protection and smarter building techniques; and where even storms themselves are blunted by a thriving coastal ecosystem.

A more resilient Louisiana with a thriving coastal ecosystem will see fewer storm impacts and a stabilized insurance market
Photo credit: Blake M. Jordan

A resilient Jefferson Parish and a resilient region are fundamental at a time when the frequency and intensity of storms may be increasing. And a resilient future is the only way to address the fundamental arithmetic problem that has roiled the insurance industry in recent years—too many expensive claims and not enough premiums. The only way that this math changes in a way that benefits Louisiana is when insurance claims become smaller and less frequent.

The issue of resilience is critical not only to the insurance market in south Louisiana but also to economic development and the prosperity of the region more broadly. Most people can tolerate some level of disruption from time to time, but an endless drumbeat of evacuations, cleanups, insurance claims, temporary housing, and so forth constitutes a long-term existential risk to the region. Many people and businesses will simply move to a place that does not face these challenges on a regular basis. Thus, the imperative for Jefferson, our region, and our state is to dramatically minimize the impact of hurricanes. Again, they must become nuisances rather than disasters.

Fortunately, much of the work to make the region more resilient is already underway as spelled out below.

1. Strengthening statewide building codes

In 2007 Louisiana adopted for the first time a statewide mandatory building code. The reason for doing this was first and foremost to reduce damage from storms, but an indirect effect was also to signal to the insurance industry the state's seriousness about reducing its risk profile.

Over the past decade and a half, building science and resilient construction techniques have improved, and Louisiana is keeping pace with these changes. Indeed, the state now has some of the strictest building codes in the country. Established in the 2007 legislation that created a statewide building code, the Louisiana State Uniform Construction Code Council (LSUCCC) reviews and recommends all amendments to the state uniform building code. A new International building code is adopted every three years, and the council reviews these updates and discusses any others for recommendation every other month[xxv]. This structure has allowed the state of Louisiana to strengthen its building codes quickly and efficiently without the need for legislative approval. Once new codes are enacted, parishes and municipalities must comply with the updated state codes.

The recently updated Louisiana statewide building code is now one of the most stringent codes in the country

After an unanticipated delay in code updates due to the COVID-19 pandemic, LSUCCC formally adopted a series of new codes in 2022, including the 2021 International Building Code. The new statewide building code went into effect in January of 2023.

Among the many improvements in the code are changes in how roofs are installed. A building's roof is one of the biggest determinants of whether the building will experience major storm damage. While the 2022 code changes included substantial new requirements for roof installation to make new roofs more resilient, those standards were still moderately less exacting than the Fortified roof certification program. The Fortified program (more on this below) is an insurance industry standard for roofs and other building systems that has performed extremely well in recent hurricanes. At the start of 2023 there was a sense among some legislators and code experts that Louisiana could adopt even more rigorous roofing standards to further narrow the gap between a Fortified roof and a standard code compliant roof. In the spring of 2023, LSUCCC did exactly that, adopting supplemental roof requirements that are now incorporated into the Statewide building code[xxvi]. The Fortified program still has some features that are not in the code; but as a result of the recent code amendments, a code-compliant roof in Louisiana is very similar to a Fortified roof.

2. Adopting a re-roof permit in Jefferson Parish and accompanying enabling legislation

Having a new roof in place reduces the likelihood of storm damage, but it also can also produce immediate savings on insurance premiums. The problem historically in documenting the age of a building's roof is that roof-specific permits have not been required for "re-roofs" of existing structures. At the urging of the Homebuilders Association of Greater New Orleans, Jefferson recently instituted a re-roof permit process[xxvii]. Because of the unique nature of roofing jobs—the need to complete the work quickly given the region's rainy climate—this permit features a streamlined, remote inspection process that requires installers to upload timestamped, geolocated photographs to the Parish's permit website. Through this mechanism, permits can be filed and approvals can be granted expeditiously.

Prior to the most recent legislative session in the spring of 2023, all building inspections for all varieties of permits had to be carried out in person to ensure the quality and comprehensiveness of inspections. This year, the legislature passed and the Governor signed HB 393 that created a small carve out only for roof permits that allows for digital photographs and remote inspections. This accommodation was provided to account for the unique time pressures of a re-roofing job[xxviiii]. Thus, between this newly enacted state law and the Jefferson Parish ordinance, the Parish now has a permit regime in place for reroofing jobs, effective August of 2023.

The impact of this new permit process is twofold. First, it will give homeowners a tangible, time-stamped paper trail to give to their insurers to document that they have a new, code-compliant roof, resulting in a discount on their insurance premiums. Second, at the scale of the entire community, Jefferson Parish will be able to document the overall number of new roof permits and the corresponding reduction in risk for the Parish as a whole. This will hopefully make Jefferson Parish a more compelling market for insurance companies to write policies. Other communities in the region are pursuing the same path as Jefferson and are establishing a similar permit for new roofs. St. Charles Parish has a similar program in place; Orleans and St. Bernard parishes are working on similar permit, and the Homebuilders Association has begun discussions with other communities within the region to do the same.

3. Implementing an incentive program for Fortified roofs

Adoption of more stringent building codes is a major step toward a more resilient built environment, but compliance with the new codes is only triggered when there is new construction or substantial rehabilitation. To make Louisiana's buildings more resilient on an expedited timetable, the Legislature in 2022 enacted a program to encourage homeowners to replace older roofs with Fortified roofs.

Established by the Insurance Institute for Business & Home Safety (IBHS), an organization supported by the insurance industry, the Fortified certification requires several site assembly techniques and a regime of inspections to achieve Fortified certification. The roof assembly techniques include using "ring-shank" nails in an enhanced nailing pattern rather than smooth nails, sealing the roof deck to prevent water damage, and installing a wider drip edge to protect the edge of the roof from being ripped away[xxix]. Collectively, these techniques are estimated to reduce wind losses by up to 80 percent[xxx].

Administered by the Louisiana Department of Insurance (LDI), the Louisiana Fortify Homes Program was allocated $30 million in the most recent legislative session to provide grants to homeowners to install Fortified certified roofs[xxxi]. With a maximum homeowner grant award of $10,000 per roof, the program should result in the replacement of 3,000 roofs at the current allocation level. LDI has just recently rolled out the program and is enrolling participants who are currently on a Louisiana Citizens homeowner policy. As awareness of this program grows, enthusiasm among homeowners and participation in the program should grow quickly. LDI and the Legislature will have to monitor demand and allocate the appropriate level of resources to retrofit as many roofs as is reasonably possible.

4. Requiring the disclosure of insurance premium discounts for new and Fortified roofs

In addition to the Louisiana Fortify Homes Program, another way to encourage Louisiana residents to upgrade their roofs is to inform them of the immediate financial benefits of doing so. To that end, the Legislature passed and the Governor signed into law HB 294 in the 2023 session. The bill requires insurers to disclose and quantify the discount associated with installing a new, code compliant roof or a Fortified roofx[xxii].

According to estimates from Smart Home America, a Fortified roof can reduce a Louisiana homeowner's annual wind premium by 20 - 52% . As more residents become aware of these savings, more will opt to replace their roofs sooner than later, thereby expediting improvements to the existing building stock.

5. Instituting a "freeboard" requirement in Louisiana and Jefferson Parish

Included in the statewide building code that was adopted in 2022 is a major flood mitigation measure. The new code requires that new and substantially rehabilitated structures located in the Special Flood

Hazard Area (SFHA) be built with one foot of "freeboard."[xxxv] FEMA flood maps establish the base flood elevation that new structures must be built to. For instance, the flood maps could require a building on a property two feet above sea level to be built to a base flood elevation of four feet. This would mean that the first floor would have to be at least two feet above the ground.

A freeboard requirement goes one step further by adding a supplemental elevation requirement above and beyond the FEMA mandated base flood elevation standard. Thus, in the above example, the structure would have to be at least three feet above the ground elevation to meet the new code requirement. Research suggests that freeboard requirements are an extremely effective way to reduce the risk of flood damage. According to recent research conducted by LSU, freeboard requirements at the optimal level (three feet above base flood elevation) are likely to reduce monthly flood insurance premiums by 72% and flood loss by 67%[xxxvi].

Jefferson Parish has gone one step further than the state by requiring since 2021 that new and rehabilitated structures in the SFHA be built with two feet of freeboard[xxxvii]. The marginal cost of this elevation requirement is approximately 5% of the construction cost of a hypothetical $220,000 home[xxxviii]. And the payoff is substantial, both in terms of the risk of loss from flood events and in terms of a reduction of flood insurance premiums (more on this below). The freeboard standard is just one more way that the building stock of the state, and especially Jefferson Parish, will become more resilient in the coming years as new structures are built and older ones rehabilitated.

6. Floodplain management efforts in Jefferson Parish

Jefferson Parish is leading the state in its floodplain management efforts—efforts that reduce flood risk for homeowners and also reduce flood insurance premiums. Through the leadership of the Floodplain Management and Hazard Mitigation Department, Jefferson Parish has consistently improved its rating under the Community Rating System or CRS program. The CRS program was launched by FEMA in 1990 to incentivize communities to proactively address flood risk, thereby delivering immediate benefits to homeowners in the form of reduced premiums.

Actions that receive points under the CRS program include building code requirements like the aforementioned freeboard stipulation, public information, community outreach, and disaster preparedness . In recent years, Jefferson achieved a CRS Class 5 rating, which along with the City of Mandeville, is the best in the state. It was recently announced that this rating translates into a 25% reduction in flood premiums for many homeowners. In spite of the uncertainty wrought by Risk Rating 2.0, Jefferson is taking active measures to mitigate the cost of flood insurance to residents. According to the Parish's Director of Floodplain Management and Hazard Mitigation, a CRS rating of 4 or even 3 (a lower score signifies a better rating) is within reach during the next review cycle which is in late 2024. A Class 4 rating would translate to a 30% reduction in flood insurance premiums for many residents[xli].

7. Tree protection efforts in Jefferson Parish

Another aspect of hurricane risk that the Parish takes very seriously is the risk of trees falling in high winds. While Jefferson cannot look after every one of the thousands of trees within its boundaries, it has focused its efforts on trees within the public right of way that pose a threat to buildings and infrastructure. To that end, the Parish arborist and landscape architect respond to 311 complaints in the public right of way and complete preventative maintenance to ensure that potentially problematic trees in the right of way do not become major problems in a storm[xlii].

For over 20 years, the Parish in conjunction with the non-profit organization Friends of Jefferson the Beautiful also conducts "tree school" on an annual basis to inform arborists, landscape architects, and property owners of the telltale signs of at risk trees. This program satisfies continuing education requirements for a variety of professional disciplines.

There have been a number of high-profile incidents in the New Orleans region in recent months where trees have succumbed to rot, extreme heat, and poor maintenance. Jefferson's efforts to maintain a healthy tree canopy are reducing the likelihood of these incidents as well as large-scale, tree-related property damage during major storms.

8. Updating the State's Coastal Master Plan

The State's Coastal Protection and Restoration Authority (CPRA) is tasked with updating the State's coastal master plan every six years to respond to evolving science, conditions on the ground, and updated forecasting techniques. The most recent iteration of the Plan—*The 2023 Louisiana's Comprehensive Master Plan for a Sustainable Coast* (2023 Master Plan)—was unanimously approved by the Legislature during the 2023 session[xliii].

The previous and current versions of the plan have recommended various strategies for addressing coastal land loss, flood risk, and sea level rise. Interventions include raising and flood proofing homes and major infrastructure projects to improve flood defenses and restore coastal wetlands. The Plan has been the basis for implementing billions in critical coastal restoration and flood protection projects.

The 2023 Master Plan identifies $50 billion spread across 77 projects over the next 50 years[xliv]. Collectively these initiatives will build or maintain 310 square miles of coastline, ensure the health of existing coastal ecosystems, and reduce damages from storm surge by a staggering $11 billion per year by 2073. According to recent research, a 1% loss in coastal wetlands is associated with a 0.6% increase in property damage, due to wetlands' ability to dampen both flooding and wind-related damage[xlv]. For this reason, continued implementation of the master plan is essential to reducing risk and improving the insurance market in south Louisiana.

9. Adopting a Louisiana Climate Action Plan

Louisiana, alone among Gulf Coast states, adopted a climate action plan in 2022[xlvi]. The plan focuses on reducing the state's greenhouse gases so that Louisiana's emissions will become "net zero" by 2050[xlvii]. Louisiana does not have the population, economic heft, and influence to singlehandedly alter the trajectory of global climate policy. But given that Louisiana has the 4th highest per capita carbon emissions in the country[xlviii], the Plan provides a compelling roadmap for how the state will do its part in the coming years to reduce emissions. Just as critically, the climate action plan signals to the insurance industry that Louisiana takes the problem seriously.

There is not yet a bipartisan political consensus on the issue of human-generated climate change, but there is a growing consensus in the insurance industry[xlix]. The adoption of the climate plan signals to the insurance industry that our state recognizes the linkage between emissions on the one hand and insurance claims on the other. At a minimum, the plan makes the rhetorical case that Louisiana is taking a sober, holistic, collaborative approach to addressing the major weather events that have generated so many insurance claims.

10. Implementing the Insure Louisiana Incentive Program

Up to this point, the action items that this Plan has identified are all actions that are intended to reduce the actual monetary cost of major storms. They therefore address the fundamental arithmetic problem that the state has faced in recent years—too many big insurance claims and not enough premiums collected. At the same time, the state can take other efforts to improve the marketplace for insurance companies, aside from directly reducing risk. One such initiative is to reduce risk to insurance companies by offering direct cash assistance.

In both a special session in early 2023 and the regular legislative session later in the year, the state legislature appropriated $55 million to the Louisiana Department of Insurance to create the incentive program. The program provides cash grants to insurance companies willing to expand their footprint in the state by assuming policies currently held by Louisiana Citizens and by agreeing to write policies in the most hurricane prone areas[l].

In rolling out this program, LDI is using the same playbook that it used after Hurricane Katrina in 2005 when a similar $100 million incentive fund attracted numerous insurers to the state[li]. The ultimate effect of that prior effort was to reduce the State's risk exposure through Citizens, increase the amount of competition in the marketplace, and stabilize prices. In conjunction with other, complementary efforts, this program did play a role in the normalization of the insurance market after Hurricane Katrina and is likely to be beneficial this time as well. The early results are promising. As of July 2023, private insurers participating in the incentive program have reduced Citizens' rolls by approximately 37,000 policies[lii]. Citizens' rolls had swelled to over 135,000 policies in recent years[liii].

The only downside to the previous iteration of the program is that several of the insurers who participated in the program and entered the Louisiana market were insufficiently capitalized. In the face of multiple years of major storm events, several went bankrupt. To address this risk, LDI has adopted more stringent underwriting standards and stress tests in version 2.0 of its incentive program[liv]. This will help to ensure that the small and mid-sized companies that are new to the market are able to withstand a series of major claim events and stay in Louisiana for the long term.

Summary of Recent Action Items

ACTION	TIMELINE
1. Stronger statewide building codes	Adopted in 2022, supplemented in 2023
2. Re-roof permit in Jefferson	Implemented in 2023
3. Incentive program for Fortified roofs	Implemented in 2023
4. Requiring disclosure of premium discounts	Law adopted in 2023
5. Freeboard requirement in La. and Jefferson	Jefferson adopted in 2021; statewide in 2022
6. Floodplain management efforts in Jefferson	CRS class 5 rating in 2019
7. Tree protection efforts in Jefferson	On-going for over 20 years
8. Updating the Coastal Master Plan	Adopted unanimously in 2023
9. Climate action plan	Adopted in 2022
10. Insure Louisiana Incentive Program	Legislation approved and implemented in 2023

IV. Future Action Items

To Louisiana's and Jefferson Parish's credit, the reaction to our insurance crisis has been swift and vigorous. The list of accomplishments is considerable, but there is still more work do be done to lower risk and improve the insurance marketplace.

Future action items fall into two categories: improving the dynamics of the marketplace and reducing the risk of damage to property. This Plan starts with the former category, as the needs are immediate and the solutions are possibly near term.

1. Enact a comprehensive tort reform package to reduce lawsuits and improve the business climate for insurance companies.

By most accounts, the legal climate in Louisiana as it pertains to the insurance industry is unequivocally off market. There are a range of laws—and ambiguities within the law—that place Louisiana firmly at the margins in comparison to most other states. These include:

a. The fact that "satisfactory proof of loss"--a formal legal document that outlines what the policyholder is requesting from their insurance company—is not defined in Louisiana law.

b. The fact that "bad faith" actions by insurance companies are ambiguously defined under Louisiana law. This allows broad discretion in determining whether an insurance company has acted in bad faith, which can increase the size of judgments against that company.

c. Ambiguity as to when the clock starts for when a claim must be paid within the statutory 30-day limit. It is unclear under current law if the timetable starts when the claim is first filed, when an adjustor first visits the property, or some other milestone. That ambiguity can also be the basis for higher judgments against insurance companies that are deemed to have missed the 30-day timeline[lv].

The cumulative effect of the current legal framework is that a) lawsuits against insurance companies are more frequent than in other states, b) settlements and legal judgments against insurance companies are much higher than in other states, and c) these costs get passed along to individual homeowners across Louisiana. Insurance companies are fundamentally for-profit entities that must balance risk and reward. As such, they can elect to leave those markets that they deem to be inhospitable. This is not to suggest that the State should let insurance companies operate without accountability. But given the imbalances in the current legal framework, a re-centering of the legal environment is imperative.

In the 2023 legislative session, HB 601 proposed a comprehensive suite of tort reforms that addressed many of the off-market aspects of the state's legal climate. Perhaps because of the tremendous scope of the legislation and perhaps due to the political climate, the bill did not make it out of the legislature.

In the next session, a series of smaller bills may be the best way to pass reforms, bringing greater predictability to insurers and reducing their costs.

2. Advocate for major reforms to NFIP Risk Rating 2.0.

The fundamental rationale behind Risk Rating 2.0 is entirely reasonable. NFIP needs to address its structural deficit, become actuarially sound, and disincentivize new development in risky, flood prone areas. However, without reforms, Risk Rating 2.0 has the potential to effectively redline real estate activity in long established communities while delivering a major financial hit to homeowners in the form of exorbitant premiums. Fortunately, there is a growing level of frustration in Congress with the opacity of the new guidelines[lvi], and there is at least one proposal—a bipartisan bill co-sponsored by Senator Cassidy of Louisiana—to reform Risk Rating 2.0.

The proposed legislation would, among other features, cap the rate of annual premium increases at 9%, provide financial assistance to low- and middle-income homeowners to offset flood premiums, and increase funding for flood mitigation efforts[lvii]. This legislation would offer much needed relief. Local leaders should also push for reforms that would allow the owners of properties without pre-existing flood coverage to purchase flood insurance at less than the full premium. The sticker shock of premiums under Risk Rating 2.0 is discouraging property owners from obtaining flood insurance. There should be a mechanism to allow homeowners to purchase coverage at a more affordable rate and then for premiums to be gradually raised to the current Risk Rating 2.0 level over a number of years. This would increase participation in NFIP while supporting the goal of a more actuarially sound rate structure.

At the highest level, local leaders should advocate for further NFIP reforms that would distinguish between existing, levee protected communities like Jefferson Parish and entirely new developments on "greenfield" sites in risky areas. Established communities in low lying areas that have taken measures to reduce flood risk—from the levee system to the Parish's freeboard requirement—should not have the same risk profile and flood insurance rates as brand new, unprotected development on virgin land. NFIP needs to do a better job of distinguishing between these vastly different types of development to ensure that communities like Jefferson are not starved of investment capital due to onerous flood insurance rates.

3. Streamline Louisiana Department of Insurance's ability to review changes to insurance premiums.

Under current policy, LDI is only able to review and approve proposed rate changes once per year. This limits the number of rate increases over time, but it has the unintended effect of encouraging insurance companies to be cautious in pricing their proposed rate changes. If they are unable to make, for instance, a mid-year request for a rate change based on casualty events, they may preemptively include the expectation of major claim events in their pricing. By allowing insurance companies to price risk more dynamically—still subject to LDI's review and approval—LDI will allow companies to submit smaller, more incremental rate changes that more accurately reflect their current risk profile. This would have a salutary effect on the cost of coverage for residents and businesses.

4. Aggressively market to insurance companies already doing business in the state to write policies in south Louisiana.

In spite of the fact that numerous insurers have left Louisiana in recent years, there are still many insurance companies that have at least some presence in the state. As Jefferson, the region, and the state start to tell the story of the progress that Louisiana has made in making itself more resilient, they should first reach out to existing insurers in the state. When presented with information about improved building codes, the Fortified roof incentive program, and so forth, some of these companies may be willing to take another look at expanding their footprint in south Louisiana.

5. Pursue federal legislation to establish disaster savings accounts.

So called "catastrophe savings accounts" are currently in place in three states: Mississippi, Alabama, and South Carolina. The purpose of these accounts is to allow individuals to save money on a pre-tax basis so that they may withdraw the funds without a tax penalty in the event of a declared disaster. Operating similar to a Health Savings Account, a Catastrophe Savings Account helps homeowners to bear any upfront costs of a disaster before the homeowner collects her insurance proceeds. Additionally, the account can cover the cost of an insurance deductible[lviii].

For Louisianians, this tool would alleviate the immediate financial stress of a hurricane, and it would also give homeowners the flexibility to shop for higher deductible insurance policies, thereby reducing their annual premium costs and presenting more coverage options.

Catastrophe accounts have not been widely utilized in the three states where they exist. This is likely due to the fact that all three states have avoided major hurricanes in recent years and the fact that state tax advantaged accounts do not provide the same inducement as a federal tax incentive. Federal legislation has been introduced to create a country-wide Disaster Savings Account program. Jefferson Parish and the regional Congressional delegation should push for its passage and should also advocate that commercial property owners be eligible to participate.

6. Identify funding sources, including expanded GOMESA funds, to implement the State's 2023 Coastal Master Plan.

The recently adopted Coastal Master Plan is appropriately ambitious in its aims, identifying $50 billion worth of projects that will reduce claims by $11 billion per year by 2073. Unfortunately, the plan is largely unfunded at present. A major source of funding for recent coastal restoration projects, $8.5 billion in settlement funds from the 2010 BP oil spill, are set to expire in 2032[lix]. The most obvious future source of funding is an expanded version of GOMESA, the Gulf of Mexico Energy Security Act of 2006, which directs a portion of federal offshore drilling revenues to state and local governments along the Gulf. Under current rules, Gulf states receive 37.5% of federal offshore energy revenue, not to exceed a cap of approximately $375 million per year[lx]. This compares unfavorably with other federal/state cost share agreements such as the federal Mineral Leasing Act, whereby states with onshore drilling operations receive an uncapped 50% of royalties[lxi]. Under legislation proposed in the previous Congress, Louisiana could have seen drilling revenues totaling $1.9 billion, as compared to its 2020 cut of $156 million[lxii]. This substantial increase in annual revenues would have gone a long way toward implementing the 77 projects identified in the Coastal Master Plan. Unfortunately, the legislation died without a full vote of the Senate. The next iteration of the legislation is a top priority of Louisiana's congressional delegation. In addition to GOMESA reforms, local and state leaders should identify alternate sources, including recurring state revenues, to address the existential risk of coastal land loss and enhance Louisiana's coastal buffer.

A major source of funding for coastal restoration, settlement proceeds from the 2010 BP oil spill, is set to expire in 2032
Photo credit: Lisa Jolin

7. Harden utility infrastructure to better withstand hurricanes.

Major storms over the past 20 years have highlighted different vulnerabilities in the region's infrastructure. For Hurricane Katrina, the fatal weakness was the condition of the levee protection system. Hurricane Ida in 2021 highlighted the shortcomings of our electrical grid. Prolonged loss of electricity is a major quality of life and economic development issue-- principal considerations for JEDCO of course. But the unreliability of the grid can also exacerbate storm damage and claims to insurers. Minor water intrusion can turn into a major mold remediation problem in a warm, non-air conditioned environment for an extended period of time. A local educational institution estimated that their Hurricane Ida claims increased by a factor of three as a result of the prolonged loss of electricity[lxiii].

Entergy has recently outlined plans for an ambitious effort to harden the transmission and distribution grid, an unprecedented $10 billion investment bolstered by newly available federal grants for this purpose[lxiv]. A stronger grid with fewer blackouts that are shorter in duration is one major way for the region to ensure that future storms are short-lived inconveniences rather than paralyzing events. Jefferson Parish should support Entergy's efforts in the main but should also scrutinize the specific projects under this $10 billion initiative to ensure that they deliver the maximum value to residents. As part of its review Jefferson should also push for selective undergrounding of utilities along major boulevards. While an expensive solution, this would simultaneously address the Parish's beautification efforts as recommended in JEDCO's Jefferson EDGE 2020 beautification plan.

8. Monitor the effectiveness of new incentive programs and make adjustments as necessary.

The Insure Louisiana Incentive Program and the Louisiana Fortify Homes Program are bold actions that promise to improve the insurance marketplace and the resilience of the State's building stock. As both are in their first year of implementation, officials should closely monitor the success of each program. Are the programs user friendly, especially the Fortified program which targets individual homeowners? Are they fully subscribed, or are resources being left on the table? If over-subscribed, what level of additional resources should be allocated to expedite implementation? For the Insure Louisiana Incentive Program, are the financial stress tests of insurance companies dynamic and on-going to prevent companies from going out of business in the future?

LDI is implementing both of these programs, and officials should request regular updates on these and other questions. The faster and more efficiently that funds are deployed, the quicker the state will see meaningful benefits. In the case of the Fortify Homes Program, the $30 million appropriation from the Legislature is expected to fund the replacement of 3,000 roofs across the state. In Jefferson Parish alone, there are 128,000 single family homes and 193,000 housing units total[lxv]. If the program is successful and demand outstrips supply, the State should consider expanding the program in future years to expedite the upgrading of roofs. In the face of other budgetary pressures, future governors and legislators must also be mindful of the upfront resource requirements and downstream benefits of programs like this one.

9. Raise Parish residents' awareness of available insurance and residential hardening programs, including wind mitigation surveys.

Jefferson Parish has a variety of low-cost information tools at its disposal—from its social media accounts to inserts within monthly water bills. With all of the recent legislation and initiatives that have been adopted, the Parish should make aggressive efforts to inform residents about the myriad ways they can upgrade their homes and save on insurance costs. These tools include the $10,000 grants for Fortified roofs under the Fortify Homes program; the disclosure of insurance premium discounts for code-compliant and Fortified roofs; and reduced flood insurance premiums as a result of the Parish's CRS rating. Another cost-saving tool that is rising in prominence is the role of wind surveys in reducing premiums. Anecdotally, homeowners have reported saving thousands of dollars on their annual premiums by documenting the quality of their homes' construction through a wind survey. These surveys are affordable, costing only several hundred dollars to complete[lxvi]. To raise resident awareness, Jefferson could embark on its own effort, or it could simply amplify communications efforts that are already underway in the region. For instance, GNO, Inc. has published a Louisiana Insurance Discount Guide that publishes the discounts available from various insurance providers when homeowners install a Fortified roof or obtain a wind mitigation survey. Whether in collaboration with a partner or on its own, the Parish should make every reasonable effort to elevate residents' knowledge about the discounts and incentives at their disposal.

As residents become more aware of these programs, they are more likely to take steps to harden their houses and realize savings in their insurance bills.

10. Leverage new federal Solar for All program to upgrade residential roofs.

As part of the Inflation Reduction Act that was passed in 2022, the newly announced Solar for All program will provide $7 billion to facilitate the installation of rooftop solar panels for low-income residents. Each state is expected to receive funds under this program as the program will award up to 60 grants to states, territories, and other jurisdictions[lxvii]. Louisiana currently has a pending Solar for All application.


The Solar for All program presents a unique opportunity to combine rooftop solar installations with roof upgrades
Photo credit: Greens MPs

Given the extensive rooftop anchoring that is required to install solar panels, state officials should synchronize the Solar for All program, the Fortify Homes incentive program administered by LDI, and the newly upgraded state building codes. Solar for All presents a tremendous opportunity to realize multiple goals simultaneously—reducing energy costs for residents while improving the resilience of their roofs. It would be a tremendous missed opportunity if the solar panels installed by the Solar for All program were to be installed on thousands of older roofs that are neither code nor Fortified compliant.

11. Support the Parish's efforts to achieve an even better rating under the Community Rating System.

According to the Parish's floodplain manager, achieving a CRS Class 4 or even Class 3 rating is within the Parish's reach and could occur as soon as 2024. In the face of the uncertainty around Risk Rating 2.0, further improving the Parish's CRS rating (which is already excellent in relation to other Louisiana communities) is the most substantial, proactive thing that the Parish government can do to reduce the cost of flood insurance. Parish officials should work closely with the Department of Floodplain Management and Hazard Mitigation to identify the specific regulatory changes, community education efforts, and resources that are needed to achieve CRS Class 4 and optimally Class 3. It is estimated that once the Parish achieves Class 4, many homeowners would see a 30% reduction in their flood insurance premiums. As part of this effort, the Parish should also take a fresh look at building practices that may run counter to its floodplain management goals, whether or not they would have a measurable impact on its CRS rating. An example would be encouraging elevated rather than slab-on-grade construction in low lying areas.

12. Implement the Parish's Green Infrastructure plan.

In 2022, the Jefferson Parish Planning Department completed a Green Infrastructure Plan to reduce subsidence and rain related flooding. The plan builds on prior water management projects, such as the stormwater retention facility at Wally Pontiff Playground in Metairie, and recommends additional stormwater infrastructure projects, regulatory changes, and new design standards for public infrastructure. For instance, the plan recommends requiring more on-site runoff detention for new real estate projects; improving permeable pavement standards; and incorporating green stormwater infrastructure into corridor redevelopment plans.

Given the opacity of Risk Rating 2.0, it is unclear that implementation of the plan will result in immediate savings on flood insurance premiums. But as a practical matter, it should reduce losses to property owners from flood events, and it should ultimately improve the overall risk profile of the Parish by reducing the number of repetitive loss properties over time.

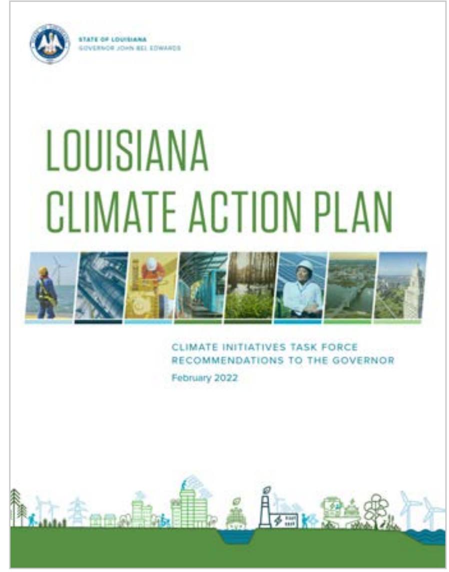
13. Explore the feasibility of a greater federal or regional role in property and hazard insurance.

With the major hurricanes along the Gulf Coast over the past few years and other national tragedies such as the recent wildfire in Maui, there may be a push to federalize property insurance in the same way that the federal government got into the flood insurance business with NFIP. The rationale for greater federal involvement—for example, providing a federally subsidized reinsurance program for major disasters—would be to provide greater stability and predictability in the market and avoid the periodic shocks to the marketplace that the Gulf South has experienced. On the other hand, as the region has seen with Risk Rating 2.0, there can still be perversities, unpredictability, and sudden cost increases in a nationalized system of insurance.

As the insurance crisis spreads to other states such as Florida and California, the momentum for a federal solution will likely grow. It is imperative that local and state leaders have a prominent seat at the table for these discussions to shape the parameters of any proposed legislation.

14. Continue to update the State's climate action plan.

Just as with the State's Coastal Master Plan, the climate action plan should be regularly updated to reflect the latest science on climate impacts, reducing carbon emissions, and climate adaptation. Already, Louisiana is seeing the economic benefits of embracing the opportunities associated with proactively responding to this challenge—from a carbon capture facility in southwest Louisiana that will create 2,300 jobs to a $1.1 billion solar panel manufacturing facility in Iberia Parish[lxviii]. Keeping the climate plan current will embed these kinds of projects in the state's economic DNA and will position the state favorably in relation to states like Texas that have been more explicitly hostile to climate science[lxix]. And as discussed above, the climate action plan provides a clear signal to the insurance and reinsurance industries that Louisiana is willing to take a sufficiently holistic view of the causes of and solutions to its precarious geography. It clearly conveys that Louisiana is not just asking for help from others (the federal government, insurance companies, etc.), but that the state is willing to do its part to address a changing, unpredictable climate.



15. Make regular updates to the statewide building code as building science and resilience measures improve.

State law requires updates to the statewide building code at least once every five years to align it with the latest international standards. In practice, updates to the code have not always met this timetable. This means that the State has missed opportunities to implement more exacting standards after major disasters. For example, had code updates happened more regularly, new construction and major renovations after Hurricanes Laura, Ida, etc. would have been held to a higher standard of construction.

Fortunately, the recently adopted statewide building code has put Louisiana back at the leading edge of construction standards. Local and State leaders should push for comprehensive updates to the code at least once every five years, as mandated by law.

Action ID#	Implementation Action	Responsible Agencies/Actors	Local Sources/Funding	Timeline	Priority
1	Enact a tort reform package	State Legislature, Governor	• Staff time related to legislative advocacy	Introduce and pass legislation in 2024	High
2	Advocate for major reforms to NFIP Risk Rating 2.0	FEMA, Congress, White House	• Staff time and travel costs related to advocacy	Pursue legislation and/ or regulatory changes in 2024-2026	High
3	Streamline LDI's ability to review changes to insurance premiums	LDI, State legislature, Governor	• Staff time related to legislative advocacy	Pursue regulatory/ policy change in 2024-2025	High
4	Market to insurance companies already in Louisiana to write policies in south Louisiana	LDI	• Staff time for communications and advocacy	Initiate efforts in 2023-2024	High
5	Pursue federal legislation to establish disaster savings accounts	Congress, White House	• Staff time and travel costs related to advocacy	Pursue legislation in 2024-2026	Medium
6	Identify funding sources to implement the State's 2023 Coastal Master Plan	Congress, White House, State legislature, Governor	• Staff time and travel costs related to advocacy	Pursue legislation in 2024-2026	High
7	Harden utility infrastructure to better withstand hurricanes	Entergy, Jefferson Parish Council, Parish President, La. Public Service Commission	• Fair share of $10 billion utility hardening plan, staff time	Commence utility projects in 2024	High
8	Monitor the effectiveness of new incentive programs and make adjustments as necessary	LDI, State legislature, Governor	• Staff time and administrative costs associated with program monitoring, advocacy	On-going, starting in 2024	Medium
9	Raise Parish residents' awareness of available insurance and residential hardening programs	Jefferson Parish Government, Jefferson Chamber, JEDCO, GNO Inc.	• $50,000 - $100,000 per year for an outreach/ awareness campaign	Commence outreach efforts in 2023-2024	High
10	Leverage new federal Solar for All program to upgrade residential roofs	LDI, State legislature, Governor	• Staff time related to advocacy	Begin program design in 2024 to synchronize Solar for All and Fortified Roofs program	High
11	Support the Parish's efforts to achieve an even better rating under the Community Rating System	Jefferson Parish Government	• Staff time related to coordination and implementation	Secure a CRS Class 4 or 3 rating for Jefferson Parish in 2024	High
12	Implement the Parish's Green Infrastructure plan	Jefferson Parish Government	• Staff time related to regulatory changes; unknown amount of capital funding to implement green infrastructure on public property	On-going	Medium
13	Explore the feasibility of a greater federal or regional role in property and hazard insurance	Congress, White house	• Staff time and travel costs related to advocacy	Pursue legislation in 2024-2026	Medium
14	Continue to update the State's climate action plan	Governor's Office	• Staff time related to program monitoring and advocacy	On-going	Medium
15	Make regular updates to the statewide building code	Governor's Office, Louisiana State Uniform Code Council	• Staff time related to program monitoring and advocacy	On-going	High

V. Implementation and Conclusion

The implementation of this plan goes well beyond the jurisdiction and resources of JEDCO and Jefferson Parish. There are certain actions that are within the control of local government–improving the Parish's CRS rating for instance–and these actions warrant the Parish's immediate attention. However, a range of other actions, from changes to Risk Rating 2.0 to securing funding for the state's Coastal Master Plan, require the cooperation and resources of state and federal entities. For those items that are beyond the purview of local government, the leadership and strident advocacy of local officials will be essential to move the needle. Leaders must treat the action items outlined in this plan as the essential, high priority items that they are. Tireless and vocal advocacy for these action items must imbue discussions with state and federal officials and the Parish's lobbying efforts.

Similar advocacy efforts have been successful in the past--from the $15 billion upgrade to the region's levee system following Hurricane Katrina to the $2 billion SELA program to upgrade stormwater drainage in Orleans and Jefferson. Those successes were the product of a close partnership between local, state, and federal officials, all aligned toward a common goal.

The current insurance crisis warrants the same level of focus, cooperation, and effort. The dramatic increase in insurance costs presents a very real, very immediate threat to the economic well-being of Jefferson Parish and the region. Southeast Louisiana is not without other quality of life challenges, and adding a substantial, de facto tax in the form of dramatically higher insurance costs is not one that the region can sustain for long without risking a slow exodus of residents and businesses.

Fortunately, the reaction of local and state officials has been vigorous. The considerable efforts underway paired with the action items outlined in this plan will undoubtedly stabilize the insurance market and reduce costs. Fundamental change in insurance companies' risk vs. profit calculus will only come about when coastal Louisiana becomes dramatically more resilient—when even major storms are only nuisance events. And when South Louisiana gets to that point, through strong building codes, resilient infrastructure, and other measures, it will not only be a compelling place to write insurance policies, but it will also be a much more compelling place to live and do business.

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