



LOUISIANA DEPARTMENT OF INSURANCE
JAMES J. DONELON
COMMISSIONER

September 18, 2008

Louisiana State Senate

RE: Senate Bill 160

Dear Senators:

I am writing to clarify some confusion amongst the public and the media concerning legislation passed during the recent legislative session. As you know, Senate Bill 160 authorized the Commissioner of Insurance, based on a business plan submitted by an insurer demonstrating its commitment to write new business in our state, to enable such insurers to enact zone deductibles for hurricane losses not to exceed four percent (4%). Be advised that no company has applied for such authority and only one has expressed interest to date.

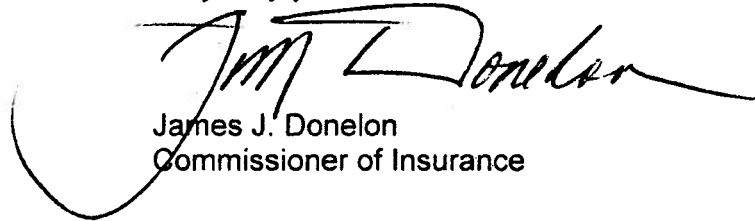
This issue is being confused with the fact that after the four devastating hurricanes in 2004 in Florida and Hurricanes Rita and Katrina in Louisiana in 2005 the insurance industry began implementing named storm deductibles on a large scale in the 18 Atlantic seaboard and Gulf Coast states. Those deductibles vary from state to state with some being significantly larger than those utilized in Louisiana.

I hasten to point out that our state is the only one of the 18 that limits the use of zone deductibles by virtue of our unique "three year rule" that requires companies that wish to implement such deductibles to do so on a statewide basis as opposed to only in coastal regions as has been done in places like New York, South Carolina, etc. Although such deductibles were in use prior to Rita and Katrina (I had a 2% named storm deductible applied to my Katrina claim) they were the significant minority at that time but since 2006 have become commonplace with Allstate implementing a 5% named storm deductible statewide and State Farm implementing a 2% hurricane deductible. There are some companies such as Safeco and USAA that still do not use named storm deductibles in their homeowners policies.

In closing I want to emphasize that Senate Bill 160 has no part in the implementation of named storm deductibles in our state as no company has even applied for the authority contemplated by that legislation. The companies that are using named storm deductibles in Louisiana are doing so in accordance with law and discounting their premiums by the actuarially required amount based on the reduced coverage afforded in those policies. As always, if I can clarify any of this or you have other questions or concerns, please feel free to contact me at your convenience.

With best wishes, and kindest personal regards, I remain,

Very truly yours,

A handwritten signature in black ink, appearing to read "James J. Donelon", with a large, sweeping flourish underneath.

James J. Donelon
Commissioner of Insurance

JJD:dtd

Attachment

JJDSEPT2008.2519