



# A GROWING BURDEN

RISING HOMEOWNERS INSURANCE PREMIUMS ARE TAKING  
A TOLL ON LOUISIANA'S COASTAL COMMUNITIES



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America

# A growing burden

Rising homeowners insurance premiums are taking a toll on Louisiana's coastal communities

Principal Author

Nick Sorrells, Independent Research Analyst

Advisors

Rosa Herrin, Gulf Coast Policy Officer, Oxfam America

Marla Nelson, PhD, AICP, Associate Professor, Department of Planning and Urban Studies, University of New Orleans



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# ACRONYMS

Alabama Department of Insurance (ALDOI)

American Society of Civil Engineers (ASCE)

Area median income (AMI)

Bayou Interfaith Shared Community Organizing (BISCO)

Coastal Restoration and Protection Authority (CPRA)

Community Development Block Grant (CDBG)

Department of Housing and Urban Development (HUD)

Extremely low-income (ELI) household

Federal Emergency Management Agency (FEMA)

Insurance Institute for Business and Home Safety (IBHS)

National Flood Insurance Program (NFIP)

National Low Income Housing Coalition's (NLIHC)

Very low-income (VLI) household

# EXECUTIVE SUMMARY

The Louisiana Property Insurance Clarity Act, passed in 2014, requires greater transparency in premiums paid by Louisiana residents and payouts by insurance companies operating in the state. This report examines the social and economic costs of rising home insurance premiums on Louisiana communities, with a particular focus on coastal communities hard hit by recent natural and manmade disasters. This document investigates recent trends in insurance premiums and housing costs via the following methods:

- By analyzing homeowners insurance data from 2004 to 2015 and from the US Census Bureau. The project compares homeowners insurance premiums and losses in coastal Louisiana (defined as roughly 50-70 miles from shore) against those in the rest of the state.
- By examining the social vulnerability of coastal communities and the effect of rising premiums on regions already featuring low incomes, high rates of poverty and unemployment, rising water, and the impact of climate change on their livelihoods.
- Through interviews with residents of the coastal parishes of Plaquemines and Terrebonne. The report assesses how rising insurance premiums are affecting residents of these areas, and incorporates input and ideas from interviews into the recommendations.

## Findings

In recent years, the financial toll on individual homeowners from natural and manmade disasters has been compounded by rising expenses and housing costs. The 2012 Biggert-Waters Flood Insurance Reform Act, which called for raising premiums to reflect true flood risk, resulted in drastic hikes in flood insurance premiums. While the subsequent political furor received a great deal of attention, far less attention has been paid to a similar phenomenon unfolding in the private market of homeowners insurance, where rates have risen over 200 percent in some coastal parishes since Hurricanes Katrina and Rita in 2005.<sup>1</sup> Insurance premiums, as a percentage of household income, are considerably higher in coastal parishes.

Stagnating incomes have also played a role in creating this affordability dilemma. While coastal Louisiana did not suffer as much during the recession as the rest of the country (due to federal relief funds), it did not share as richly in the recovery. Since 2005, the median income for Louisiana households has risen 21 percent, while premiums have risen over 67 percent. The effect of the BP oil spill on local fisheries, the plunging price of oil, the state budget crisis, and the generally lethargic economic recovery have meant that average incomes in some coastal parishes have remained at the same level as in 2004, while premiums have risen 85 percent, and have more than doubled in several parishes.

The impact on low-income individuals and households is even more severe. Low-income homeowners near the coast encounter the worst of both worlds. They face higher homeowners insurance premiums (and flood insurance premiums), and higher housing costs, but must pay for these expenses with low (and often fixed) incomes. These households not only lack the capital necessary for major mitigation and home hardening projects, but also face barriers to securing low-interest financing options. In Plaquemines Parish, for example, an extremely low-income household earning 30 percent of the area median income can spend nearly half of their \$437 monthly budget on homeowners insurance. For a senior citizen living on Social Security income alone, insurance would exhaust their entire housing budget.

This report also examines premiums at the zip code level (the most detailed geography available from Clarity Act data). This analysis largely echoes the parish findings, with coastal zip codes featuring higher premiums. However, an examination at the zip code level does seem to indicate that premiums in rural and suburban zip codes have risen at higher rates than those in urban areas.

One of the most promising win-win scenarios is to invest in enhancing the resilience of Louisiana homes. With smart approaches to mitigation, homeowners can see declining premiums; insurance companies can reduce their financial risk; and the overall economic, cultural, and social health of coastal communities can be made more secure.

## Recommendations

### Invest in nonstructural reforms

In addition to investing in large infrastructure projects—such as the creation of barrier islands and expansion of levees—states and municipalities can also support “nonstructural” measures to enhance community resilience. This can include public education campaigns, assistance for individual homeowner mitigation projects, the regulation of land use and building codes, and hazard mitigation planning at the state and local levels.

### Invest more in mitigation in order to spend less on recovery

Numerous studies have shown that public dollars go farther when used for disaster mitigation than in disaster recovery. This is not only true for floods, but for wind damage as well. In many cases inexpensive investments in a home (such as hurricane ties, which secure the roof to the home) can make the difference between minor damage and total destruction. Municipalities can target Disaster Recovery and Community Development Block Grants (CDBGs) toward preparing for future disasters, in addition to immediate rebuilding needs.



Metal hurricane ties make structures more resistant to high winds. Often used to connect the roof to the frame, these ties are one of most cost-effective mitigation options available to homeowners. [lowmanbrothers.com](http://lowmanbrothers.com)

### Assist low-income residents with disaster mitigation

Low-income households, whether homeowners or renters, typically lack the financial resources to protect their homes from wind and other natural hazards. While certain wind mitigation construction methods and retrofits can pay for themselves within a few years, these households may not possess the capital required for the project. After Hurricane Katrina, funds dedicated toward disaster relief and mitigation did not take income into account, leaving the families most in need of assistance most vulnerable to future disasters. Low-income homeowners could stand to benefit from grants or low-interest financing options allowing them to benefit from the long-term savings from wind-mitigation features and other retrofits.



Many low-income Louisiana residents live in manufactured housing (mobile homes or trailers). Not only are these structures especially vulnerable to natural disasters, the owners often lack the financial resources to invest in mitigation, or to fully insure their homes. Mary Babic / Oxfam America

Other recommendations include policies more specifically oriented toward homeowners insurance, such as:

### **Offer wind mitigation credits**

Other Gulf Coast states such as Florida, Mississippi, and Alabama have set up statewide programs to assist homeowners with wind mitigation projects such as storm ties, hurricane shutters, and wall bracing. The adoption of a universal mitigation standard, such as The FORTIFIED Home™ standard created by the Insurance Institute for Business and Home Safety (IBHS), can streamline the process for homeowners, especially when tied to automatic premium reductions. For example, in Mississippi the Coastal Retrofit Program grants automatic discounts on premiums for homes achieving the FORTIFIED Home standard, leading to more predictable savings for homeowners.

### **Set up a central site for assisting homeowners with wind mitigation and incentives**

Analysis of mitigation efforts in Florida shows that participation in retrofit initiatives drastically increased after the programs boosted publicity through advertising and easy-to-use websites. Resources such as the Wind Insurance Savings Calculator (which informs homeowners of the potential long-term savings for certain investments) offer homeowners the information they require to start home mitigation projects.

### **Provide grants and low-interest loans for low-income homeowners**

Florida has also identified the lack of capital as a major barrier for homeowners seeking to participate in mitigation programs. This prevents low-income homeowners most in need of mitigation from achieving greater security and lower premiums. The provision of targeted grants and/or low interest loans can allow these households to make investments which can pay for themselves in a few short years.

### **Create a reinsurance or catastrophe fund**

Insurance companies do not have the capital on hand to cover payouts for extreme storms. They rely instead on reinsurance policies offered by large overseas insurers (such as Lloyd's of London) to cover extreme losses. As these are private companies looking to gain substantial returns, the added costs of reinsurance policies significantly add to premiums in Louisiana. A statewide catastrophe fund, such as that operated by Florida, could issue reinsurance tax-exempt and at cost. This fund builds reserves via levies on insurance companies, for use when severe storms deplete the capital holdings of insurance companies, serving as a sort of insurance for insurance firms.



# BACKGROUND

The devastation wrought by Hurricanes Katrina and Rita in 2005 served as a wake-up call for Louisiana on the importance of creating resilient communities. Much has been written about the increasing need for hazard mitigation, coastal restoration, and climate change adaptation. However, not enough attention has been paid to the financial impacts these reforms can have on individual residents. The final impact of a storm depends not only on wind speeds and flood levels, but also on the social vulnerability of the community. The costs of adapting to these new realities fall hardest on low-income residents.

The line between *flood* and *homeowners* insurance can be a bit blurred at times. In theory, flood insurance only covers flooding, while homeowners insurance covers most other damage (primarily wind in the case of hurricanes); however, in practice, significant overlap can occur. After Katrina, numerous lawsuits arose when homeowners alleged that wind damage had destroyed their houses before the subsequent flooding, in order to collect the higher payouts from homeowners insurance.<sup>2</sup>



Although many areas throughout southeastern Louisiana sustained major damage from Hurricane Katrina, the Lower Ninth Ward faced particular hardship. The ward features low incomes, low levels of financial and social capital, lower home values, and fewer resources to be tapped during recovery. In the wake of the hurricane, high-income neighborhoods with similar levels of flooding recovered more quickly. Low-income homeowners not only suffered disproportionate damages, they have also been disproportionately impacted by rising insurance premiums since then. Marvin Nauman / FEMA

State and local policy can have far more direct impact on homeowners insurance rates than on flood premiums. Unlike the National Flood Insurance Program (NFIP), which is administered at

the national level by the Federal Emergency Management Agency (FEMA), homeowners insurance is regulated at the state level and administered by private firms, many of whom operate in only one state.

Many states have public “insurers of last resort,” which accept those who cannot secure coverage in the private market, but these typically issue a small minority of policies. In Louisiana, this agency is Louisiana Citizens Property Insurance Corporation, which is mandated by the state to have rates at least 10 percent above private firms (in order to avoid interference with the private market). States face a difficult balance, seeking to keep premiums as low as possible, while preventing national insurance companies from leaving due to barriers to profitability.

Recognizing that premiums cannot merely be mandated in a private market, this paper examines strategies to lower the cost of homeowners insurance by reducing risk and dedicating more resources to low-income families most in need. Building codes, mitigation programs, coastal restoration policies, zoning law, state incentives, and public education campaigns are some of the many factors which affect the cost of homeownership and insurance in coastal Louisiana.



While Hurricane Katrina pushed many houses off their foundations, it usually was impossible to prove whether the damage was due to wind or flooding. The distinction is critical when claims are filed with insurance companies. Mark Wolfe / FEMA

# METHODOLOGY

Since Hurricane Katrina struck in 2005, Oxfam has been documenting the need for increased flood and hazard mitigation efforts in the Gulf Coast. Recognizing that much of the media attention up to this point has focused on the harmful impact of rising flood insurance premiums, this project hopes to cast some light on the relatively unexplored impact of rising homeowners insurance rates, which are generally administered via the private sector and show more variability at the state and local levels.

The data examined for this report comes from information released according to the stipulations of Act 427, or the Clarity Act, passed in 2014 by the Louisiana legislature. This act holds insurance companies operating in the state to higher data reporting requirements, requiring them to release information each year detailing the number of policies in force, premiums earned, and direct incurred losses, broken down by the type of peril responsible for each claim (e.g., fire, wind, etc.). The data are also broken down by zip code and parish. The only data available from the Clarity Act, and used for this report, cover the years 2004 to 2015. The report:

- 1) Contrasts coastal parishes (defined as roughly 50-70 miles from shore) with non-coastal ones, in order to identify any disparities in the premium/payout ratio.
- 2) Analyzes data at the zip code level, in order to ascertain whether exceptionally high or low premiums, claim ratios, or unusual trends occur at more local scales.
- 3) Examines the social vulnerability to rising premiums through a look at rates of poverty, low incomes, and high housing costs via an analysis of US Census data.
- 4) Identifies high-risk areas for rising cost burdens.

Finally, this study sought input from those most affected by rising insurance premiums by meeting with residents of two coastal parishes. Focus groups were convened in Plaquemines and Terrebonne parishes to gain a sense of the financial burden of rising premiums on local people, and to seek recommendations for reform. This report also relies on input from Bayou Interfaith Shared Community Organizing (BISCO), a nonprofit focused on issues of poverty and inequality in coastal Louisiana.

# LITERATURE REVIEW

A literature review was initially conducted in order to identify critical issues for data analysis. The review began with an examination of coastal insurance rates in other states. Both the Mississippi and Alabama Departments of Insurance have investigated homeowners premiums and concluded that coastal areas can legitimately be said to incur higher losses, which justify higher premiums. In particular, this report looks at:

- The “Clarity Act Data Call,” conducted by Alvarez and Marshall Insurance & Risk Advisory Services on behalf of the Mississippi Insurance Department.<sup>3</sup>
- “Challenges with Drawing Conclusions from The Clarity Act Data,” a white paper from the Alabama Department of Insurance (ALDOI).<sup>4</sup>
- A critical response to the ALDOI white paper by the Homeowners Hurricane Insurance Initiative (HHII), an Alabama-based group focused on significantly lowering premiums, the reliability of insurance companies, the fair payment of claims, and sustainable solutions.<sup>5</sup>
- A rejection by the North Carolina Department of Insurance of a proposed rate increase, outlining methods to determine a “fair and reasonable profit.”<sup>6</sup>
- National analyses of homeowners insurance markets, such as “Homeowners Insurance: Market Trends, Issues and Problems,” by the Center for Risk Management and Insurance Research.<sup>7</sup>

In response to critiques by consumer and homeowner groups of models utilized by insurance companies, this report also analyzed the ratemaking methodology employed in setting premiums, and reviewed the following documents:

- “The Insurance Industry’s Incredible Disappearing Weather Catastrophe Risk” by the Consumer Federation of America, which asserts that insurance groups have gradually transferred risk to the public sector, for their own benefit.<sup>8</sup>
- Analyses such as “A Comparison of Hurricane Loss Models” and others from The Florida Catastrophic Storm Risk Management Center, the top authority on hurricane risk management and wind mitigation, and a pioneer in studies of mitigation programs at the state level.<sup>9</sup>
- Insurance documents outlining their ratemaking process, such as “AIR Hurricane Model for the United States” by AIR Worldwide.<sup>10</sup>
- Studies at the state level which have consistently approved the “top 4” hurricane models for use in ratemaking for homeowners insurance premiums, such as the Florida Commission on Hurricane Loss Methodology.<sup>11</sup>

For the purposes of making recommendations, this paper reviewed a number of mitigation programs in other states dedicated to lowering homeowners insurance premiums. At the moment, Louisiana does not have a streamlined or standardized system to reward homeowners for investments which make their homes more secure. This report looks at:

- Recommendations on wind mitigation incentives from the Florida Catastrophic Storm Risk Management Center.

- Innovative incentive programs in other fields, such as energy, including Berkeley First (California), the Green Homes Program (New York), Climate Smart (Colorado), and Pace 2.0 (Vermont).
- Wind and hurricane mitigation programs outlined in previous Oxfam studies, such as Coastal Retrofit Mississippi, Rebuild NW Florida, and My Strong Homes.
- *Best Practices Manual for Coastal Louisiana*, published by the Center for Planning Excellence, which identifies a path forward for sustainable future development along the Gulf Coast.<sup>12</sup>

Finally, this document examines already existing programs instituted both prior to and in response to Hurricane Katrina, including wind mitigation initiatives, building code reforms, public outreach programs, free market approaches, and other state efforts to boost resiliency and lower premiums without causing the flight of national and international insurance firms. This paper looks at which initiatives have seen the most success, and which could benefit from additional state and local funding, improved coordination and outreach, and wider public participation.

# LIMITATIONS TO CLARITY ACT DATA

While the data released under the Clarity Act can be extremely useful in identifying statewide premium trends and analyzing the financial burdens of homeowners, several limitations exist which prevent the data from being used to set rates. Among them:

## Data does not include business expenses

Clarity Act data only includes total premiums and claims. In the tables and charts later in this report, even when the ratio of premiums to claims is over 1 (insurers collecting more in premiums than paying out in claims) that does not necessarily mean that the insurance company is profitable. Reporting costs such as salaries or overhead are not required by the Act. In addition, studies from Mississippi have shown that transaction costs for coastal policies typically exceed those of non-coastal ones.

## Insurance ratemaking generally uses models rather than past data

After the devastation wrought by Hurricane Andrew in 1992, in which insurers woefully underestimated losses, the industry began to move away from the utilization of past data to a system dependent on storm models. There are several reasons for this switch:

- Significant population shifts toward coastal areas in the last few decades, along with changing construction methods, have rendered damage totals from past storms nearly useless for predicting future losses. The value of real estate near hurricane-prone areas has surged, leading to drastic increases in claim payouts.
- The 12 years of data released in response to the Clarity Act does not contain enough data points for major storms to predict future events, given the rarity and unpredictability of events such as Hurricane Katrina. Furthermore, climate change continues to affect and alter weather patterns, meaning that past events may not be representative of future storms.
- The tracks taken by severe hurricanes such as Katrina and Andrew were not necessarily the most likely. Models estimate future landfall probabilistically.

The most comprehensive public analysis of insurer models, *The Florida Commission on Hurricane Loss Projection Methodology*, approved the use of four models currently employed across the state of Louisiana.<sup>13</sup>

# COASTAL LOUISIANA

Coastal Louisiana has historically possessed a wealth of culture, heritage, and economic opportunities. Residents have survived centuries of economic and political shifts, unpredictable climate, and natural disasters, and have still managed to preserve their way of life. The area remains rich in natural resources, with large oil production facilities and numerous fisheries. Coastal parishes handle 26 percent of US commercial fishery catches, and 20 percent of all waterborne commerce. The state ranks #1 in shrimp, crawfish, alligator, and oyster harvests, and #2 in fish and blue crab.<sup>14</sup> Louisiana ports handle the most tonnage of any state, with 500 million tons a year.<sup>15</sup>

Port Fourchon, in Lafourche Parish, remains the only port in the country capable of handling the largest type of oil tanker, and weather-related shutdowns of the port can have nationwide impacts on the price of fuel. The economic activity related to this port alone provides over one in six jobs across Louisiana.<sup>16</sup> Tourism also provides billions of dollars to local governments, especially in southeast Louisiana. Yet coastal residents do not always share in the wealth they help create, and incomes remain lower than the national average, especially for minority households.

Despite their long history of resilience, coastal communities are simultaneously some of the most vulnerable in America. Thousands of families across these coastal parishes depend on the environment—from shrimpers and fishermen to offshore oil workers and tour guides. The oil industry has suffered both from the aftermath of the Deepwater Horizon oil spill, and the recent collapse in oil prices. Billions of dollars of capital investment have been placed on hold, and the volatility has made life unpredictable for thousands of families across the coast.



Fisherman Lloyd Duncan of Venice, LA. Audra Melton / Oxfam America

The BP oil spill also dramatically affected the coastal fisheries. The tonnage haul of the oyster fleets and others fell significantly in the years following the incident, with many coastal towns dependent on these fisheries experiencing rapid decline. The continuing loss of wetlands, due to climate change and the engineering of the Mississippi River, has also impacted the well-being and livelihoods of these coastal communities.

Thousands of canals dug by the oil industry, combined with levees and other river management techniques, have drastically reduced silt deposits and land creation in the delta. Sixteen square miles of wetlands disappear every year, the equivalent of a football field per hour.<sup>17</sup> At the same time, subsidence has steadily lowered the sea level of coastal homes and communities, making them more vulnerable to natural disasters, flooding, and stormwater surges.

#### Rise in Costs Versus Income: Lafourche Parish 2005-2014

Quality of Life Indicator	2005	2014	Percent Increase 2005-14
Average Homeowners Premium	\$1,085	\$1,891	74.3%
Percent of Owners with Cost Burden (paying more than 30% of income on housing)	16.5%	28.5%	72.7%
Median Gross Rent	\$490	\$781	59.4%
Percent of Individuals in Poverty	11.9	18.7	57.1%
Unemployment Rate	5.3	7.4	39.6%
Median Value of Home	\$96,100	\$131,400	36.7%
Percent of Renters with Cost Burden	38.3%	50.7%	32.4%
Median Monthly Housing Costs	\$878	\$1,038	18.2%
Median Income	\$40,232	\$41,842	4.0%

Source: US Census, 2005 and 2014 American Community Survey data

These natural and manmade hazards have been compounded by rising expenses and housing costs. As the table shows, not only have rents and home prices risen faster than inflation statewide, but in coastal Louisiana these challenges have been exacerbated by higher homeowners insurance premiums.

These factors have combined to make homeownership increasingly untenable for low- and middle-income families. While the owners of expensive vacation homes can often afford surging rates of insurance, those with the strongest ties to these communities are often low-income households unable to cope with rising expenses. The decades-long disappearance of coastal land and wetlands, combined with economic challenges and a series of hurricanes between 2005 and 2012, have left many coastal residents weary and discouraged by continual setbacks. Many speak with uncertainty about the future prospects of their communities as expenses rise.

Rising costs have already forced many former residents of these coastal communities to leave their homes and in some cases relocate northward. Members of the focus group in Terrebonne Parish registered their objection to the phrase “voluntary relocations,” emphasizing that rising financial burdens often leave residents with no other choice but to leave their homes. In the last decade, many coastal parishes have lost population, either to other parishes or even other



states. The percentage of workers who commute to jobs in these coastal regions from other parishes has also increased significantly.

The disappearance of coastal land does not only affect the state economy, it also threatens the cultural legacy and heritage of these communities. Efforts by the state through the Coastal Restoration and Protection Authority (CPRA) show potential to slow the rate of coastal erosion, and structural projects such as levees grant protection to residents in certain parishes, but further nonstructural approaches must be developed to allow coastal residents to boost the resilience of their homes and communities.

In discussions with homeowners in coastal Louisiana, it became apparent that another major hurricane could be a game-changer for vulnerable populations. While many expressed a determination to rebuild and start over no matter what, others expressed a fear that another severe storm could force them to abandon their home for good.

# THE RISE IN HOMEOWNERS PREMIUMS: 2004-2015

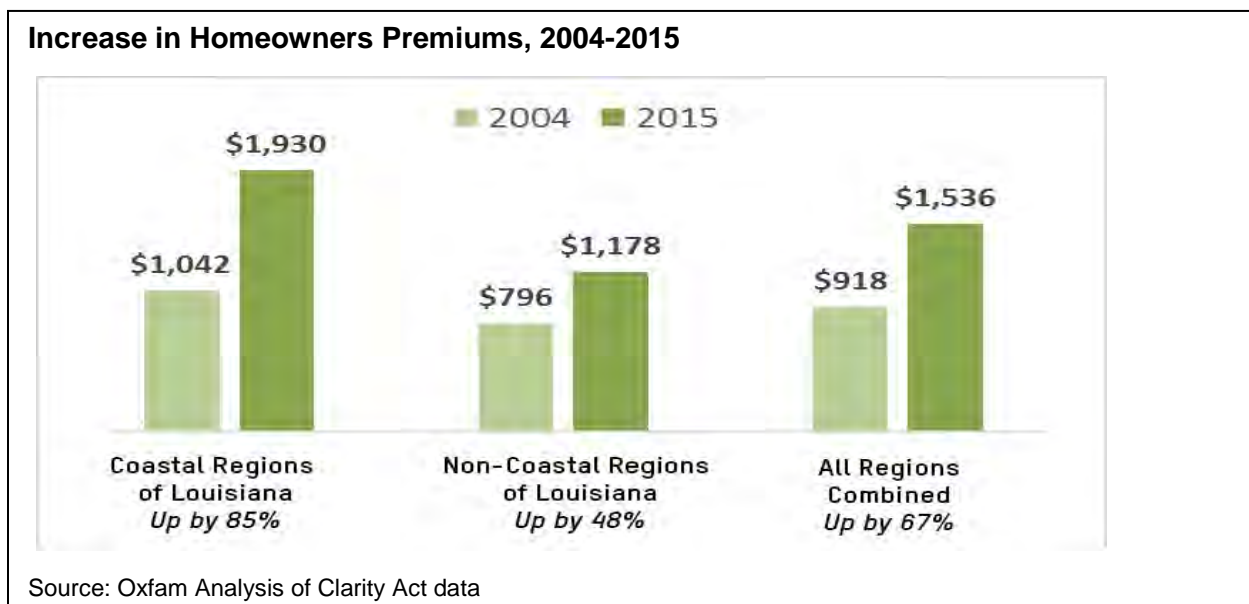
From 2004 to 2015, homeowners insurance premiums surged 67 percent across Louisiana, far faster than inflation or incomes.<sup>18</sup> In coastal parishes, the average premium rose even more steeply, increasing 85 percent.

There are various reasons for this surge. At the national level, premiums began to rise in the 1990s as insurance companies began to realize that the old means of estimating future damages based on past losses were woefully inadequate. The losses from Hurricane Andrew in 1992 far exceeded even the worst-case scenarios calculated for a similar storm.<sup>19</sup> Industry experts began to take into account several factors:

- 1) The rising value of insured properties near the coast, as coastal population growth far outpaced that inland,
- 2) Differing construction techniques, which often left houses vulnerable,
- 3) Changing climate patterns and global warming, and
- 4) Abnormally low hurricane activity in preceding decades.

Because analysis of past losses is no longer an accurate predictor of future storms, the homeowners insurance industry turned to mathematical models which relied on probabilistic estimates for future storm damages. While these models have generally been declared more accurate than previous means of estimating losses, they have resulted in significant increases in premiums, as hurricane damages are projected to rise in the future. This will be especially true if global warming and coastal erosion continues unabated, and/or if coastal governments fail to make reforms to discourage irresponsible building sites and construction codes.

In addition, insurance premiums in the 1990s were set artificially low in many states, below that required to recoup losses.<sup>20</sup> The rapid rise in recent years has not been so much a sudden increase from the “norm” so much as a more realistic reassessment of risk. For Louisiana, Hurricanes Katrina and Rita served as a wake-up call after years of relatively low losses and



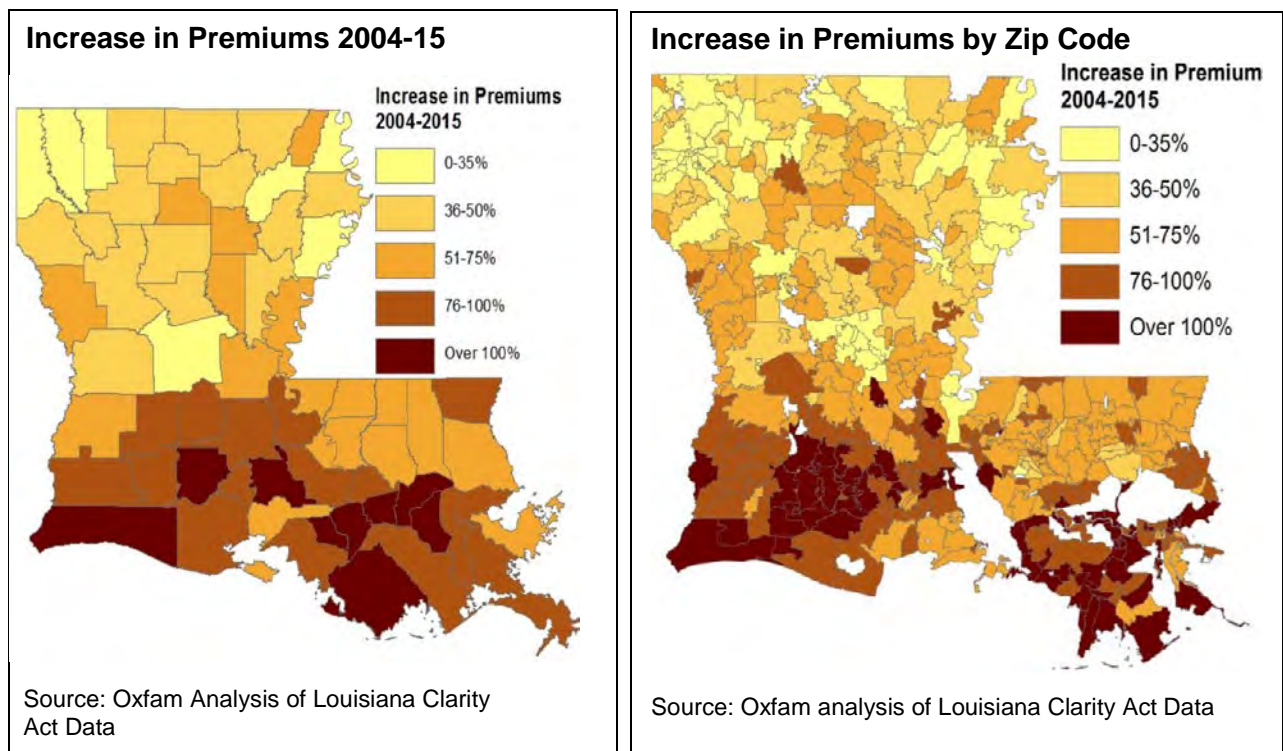
storm activity. The collapse of the levees during Hurricane Katrina also undermined confidence in the structural defenses relied upon by coastal parishes. After experiencing huge, unexpected losses during storms such as Hurricanes Katrina and Andrew, many firms decided to leave coastal regions altogether, and no longer provide insurance. This has compounded the affordability crisis by reducing competition in these areas. Local insurance companies seeking to replace these international firms face several obstacles, including higher concentration of risks, lower levels of capital, and higher overhead costs.

Coastal parishes in Louisiana have seen far higher premium increases than have the rest of the state. Whether these surging costs are justified has been a matter of debate, and the answer depends heavily on which years one chooses to analyze. Over the entire time period covered by the Clarity Act data released, insurance companies suffered far greater losses in coastal parishes, suggesting that these firms may have underestimated the risks to coastal parishes from rare events such as Katrina.

However, if one looks at the last five to six years of data, coastal parishes have paid far more in premiums than they have claimed in payouts. Whether fair or not, this has resulted in frustration for coastal residents who continue to see their rates surge every year, in many cases after not making a claim in nearly a decade. The rare occurrence of major hurricanes in any one location complicates efforts to predict future losses and establish “fair” rates. In any case, premiums continue to rise far faster than income, home values, or public assistance for mitigation. This has led not only to unaffordable costs for homeowners, but has also resulted in rapidly rising rents for those unable to purchase a home.

This report also examined premiums at the zip code level (the most detailed geography available from Clarity Act data). This analysis largely echoed the parish findings, with coastal zip codes featuring higher premiums. However, an examination at the zip code level does seem to indicate that premiums in rural and suburban zip codes have risen at higher rates than those in urban areas.

In recent years, premium increases have stabilized somewhat, rising only 1.7 percent between



2014 and 2015. However, many coastal properties continue to see major cost increases. Even if rate hikes continue to slow, premiums in coastal parishes remain far above historical norms, and pose a far higher financial burden than ever before. Louisiana has trailed behind neighboring states in the creation of mitigation programs to assist homeowners in efforts to boost their resiliency and lower premiums. Even existing initiatives suffer from low participation rates due to lack of awareness, a shortage of financing options, and other obstacles.

# COASTAL VERSUS NON-COASTAL

## Parishes with the Highest Premium Increases: 2005-2015

### PARISHES

Parish	Location	2005 Avg. Premium	2015 Avg. Premium	Increase
St. John The Baptist	Coastal	948	1,978	109%
St. James	Coastal	944	1,936	105%
Acadia	Coastal	759	1,506	99%
St. Charles	Coastal	1,111	2,141	93%
Cameron	Coastal	1,166	2,144	84%
St. Martin	Coastal	790	1,451	84%
Terrebonne	Coastal	1,041	1,911	84%
Assumption	Coastal	832	1,506	81%
St. Mary	Coastal	933	1,669	79%
Jefferson	Coastal	1,309	2,282	74%

Source: Oxfam Analysis of Clarity Act data

Premiums in coastal parishes are far higher than in non-coastal parishes; and costs have increased far more rapidly. While premiums in many non-coastal parishes were only slightly in excess of inflation, coastal regions typically saw increases between 50 and 100 percent, with rates more than doubling in two parishes.

## Parishes with the Lowest Premium Increases: 2005-2015

Parish	Coastal	2005 Avg. Premium	2015 Avg. Premium	Increase
Union	Non-Coastal	725	952	31%
Natchitoches	Non-Coastal	775	1,010	30%
Tensas	Non-Coastal	901	1,164	29%
Richland	Non-Coastal	704	895	27%
Catahoula	Non-Coastal	726	918	26%
East Carroll	Non-Coastal	691	869	26%
Webster	Non-Coastal	782	953	22%
Rapides	Non-Coastal	812	959	18%
Caddo	Non-Coastal	890	979	10%
Bossier	Non-Coastal	854	925	8%

Source: Oxfam Analysis of Clarity Act data

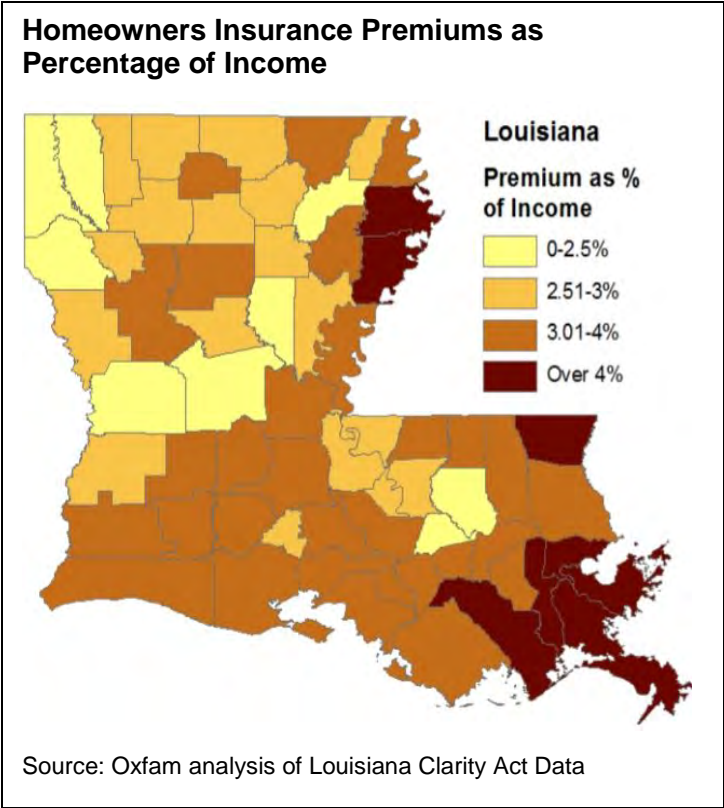
# PREMIUMS AS A PERCENTAGE OF INCOME

The impacts of rising premiums have been compounded by slow or stagnant income growth in the aftermath of the recession of 2008. For example, while premium hikes in Lafourche Parish were not higher than nearby parishes, income growth between 2005 and 2015 was essentially flat. This led to the parish having one of the highest premium burdens in Louisiana, with the average household paying 4.6 percent of their total income on homeowners insurance.

Nearly all parishes across Louisiana have seen their premium burden rise over the last decade. Since 2005, the median income for Louisiana households has risen 21 percent, while premiums have risen over 67 percent. For coastal households, premiums have risen 85 percent, and have more than doubled in several parishes.<sup>21</sup> At the same time, housing

costs independent of insurance have also risen faster than inflation. The number of coastal Louisiana households who are cost-burdened (spending more than 30 percent of their income on housing) has risen significantly in recent years.<sup>22</sup> Even without the added burden of rising premiums, homeowners (and rental households also impacted indirectly by insurance costs) across the state are struggling to make ends meet.

On top of rising mortgages and increasing flood insurance rates, homeowners must also dedicate a rising percentage of their stagnant income to surging homeowners insurance premiums, which in some parishes can exceed 5 percent of the median household's income. For low-income owners and retirees, these premiums may comprise a majority of total housing costs.



### Highest Homeowners Insurance Burdens by Parish: 2005-2015\*

Parish	Location	Avg. Premium	Median Income	Premium as % of Income
<b>Orleans</b>	Coastal	2,471	36,964	6.68%
<b>Jefferson</b>	Coastal	2,282	47,871	4.77%
<b>Plaquemines</b>	Coastal	2,553	54,835	4.66%
<b>Lafourche</b>	Coastal	1,890	41,173	4.59%
<b>Washington</b>	Coastal	1,422	31,750	4.48%
<b>Tensas</b>	Non-Coastal	1,164	26,178	4.44%
<b>Madison</b>	Non-Coastal	1,017	24,028	4.23%
<b>St. Bernard</b>	Coastal	1,851	44,706	4.14%
<b>Acadia</b>	Coastal	1,506	37,684	4.00%
<b>St. Mary</b>	Coastal	1,669	41,956	3.98%

Source: Oxfam Analysis of Clarity Act data

\*Note: Calculations that take income into account use 2005 as the start date for comparison, as no American Community Survey data is available before then. For smaller parishes, 5-year American Community Survey data, which examines every parish, were not available until 2009. This report therefore has opted to compare the two variables for parishes large enough to have comparable 2005 income data available.

Eight out of the top ten highest burdens are in coastal parishes, and seven are located in southeast Louisiana. Considering that parishes with high homeowners insurance premiums also generally face the steepest hikes in flood insurance premiums, this has led to a considerable burden for homeowners in coastal regions already experiencing higher home costs.

The percentage of income which Louisiana homeowners must dedicate to insurance has risen significantly since 2005. Once again, this has occurred primarily in coastal parishes, especially in the southeast. Many of the lowest homeowners insurance burdens are in northern and western Louisiana, where premiums are relatively lower than the rest of the state (and incomes higher than in the Mississippi River Delta parishes of Louisiana). As illustrated in the table, all of the lowest burdens are in non-coastal parishes.

### Lowest Insurance Burdens by Parish: 2005-2015

Parish	Location	Avg. Premium	Median Income	Premium as % of Income
<b>Grant</b>	Non-Coastal	1,003	39,729	2.52%
<b>De Soto</b>	Non-Coastal	1,025	41,486	2.47%
<b>Livingston</b>	Non-Coastal	1,371	57,478	2.39%
<b>Caddo</b>	Non-Coastal	979	41,251	2.37%
<b>Rapides</b>	Non-Coastal	959	41,305	2.32%
<b>Richland</b>	Non-Coastal	895	38,708	2.31%
<b>Ascension</b>	Non-Coastal	1,542	70,207	2.20%
<b>La Salle</b>	Non-Coastal	1,092	51,406	2.12%

<b>Vernon</b>	Non-Coastal	907	46,867	1.94%
<b>Bossier</b>	Non-Coastal	925	52,754	1.75%

Source: Oxfam Analysis of Clarity Act data

The heavier burden on coastal residents is all the more striking considering that coastal parishes generally feature higher incomes than areas of northern and eastern Louisiana. For example, Plaquemines Parish has a higher premium burden (4.66 percent) than Madison Parish (4.23 percent) even though the median household income in Plaquemines (\$54,835) is more than double that in Madison (\$24,028). If Plaquemines Parish residents faced the same homeowners insurance burden as those in Bossier Parish of northwest Louisiana (1.75 percent), they would pay less than \$1000 a year in premiums, instead of over \$2,500 as they currently do. And as focus group participants continually pointed out, many pay far more than \$2,500 a month, and these rates are rising by several hundred dollars per year.

It is important to remember that not all coastal households share in these higher incomes. Low-income homeowners near the coast encounter the worst of both worlds. They face higher homeowners insurance premiums (and flood insurance premiums) and higher housing costs, but must pay for these expenses with low (and often fixed) incomes. These households not only lack the capital necessary for major mitigation and home hardening projects, but also face barriers to securing low-interest financing options.



# HOMEOWNERS INSURANCE FOR LOW-INCOME HOUSEHOLDS

While homeowners insurance exacts a serious burden on the median household, the impact on low-income individuals and families is even more severe. While many associate homeownership with higher incomes, this is not always the case, and even in areas of the state with very low incomes, a solid majority of households own their home. These low-income homeowners generally consist of seniors on a fixed income; owners of manufactured homes (mobile homes or trailers); or “free and clear” owners with no mortgages.<sup>23</sup>

The National Low Income Housing Coalition’s (NLIHC) *Out of Reach 2016* report calculates that a very low-income (VLI) household earning 50 percent of the area median income (AMI) can dedicate \$728 to housing per month.<sup>24</sup> In Plaquemines Parish, the average premium of \$213 a month would represent nearly 30 percent of such a household’s entire housing budget. For an extremely low-income (ELI) household earning 30 percent of AMI, this rises to nearly half of their \$437 monthly budget. Finally, the NLIHC calculates that a senior citizen living on Social Security Income (SSI) alone only has \$216 per month left for housing, meaning that even if a retiree in Plaquemines has completely paid off their home, the average monthly premium alone would exhaust their entire housing budget.



Sign posted by Parish officials warns homeowners of pending demolition if their house is not moved. Marvin Nauman / FEMA

Owners of manufactured homes face additional obstacles. In order to make ends meet, these owners may choose a policy which covers the value of the home, rather than the replacement cost. Since manufactured homes typically depreciate rapidly over time compared to site-built homes, homeowners who lose a home during a natural disaster will not recoup enough in

claims to replace it. These owners often consider themselves lucky just to receive enough to pay off their lost home, having to start over again from scratch.

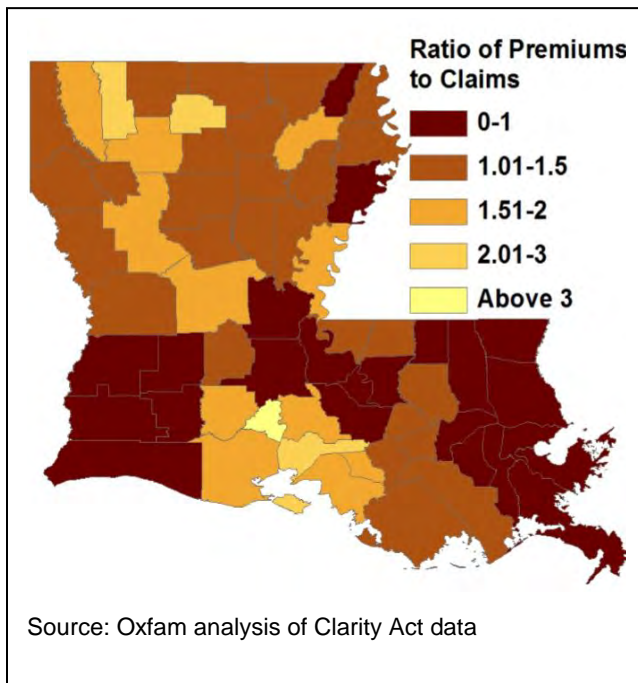
Since many low-income homeowners and owners of manufactured homes own their home “free and clear” with no mortgage, many choose to opt out of homeowners insurance altogether. Members of the Plaquemines Parish focus group spoke of friends and relatives who had been forced to drop insurance due to rapidly rising premiums. Every major hurricane that comes through Louisiana therefore leads to a significant percentage of households forced to begin anew with no home and few resources, and many of these families feel that they have no choice but to relocate for good.

# INSURANCE COMPANY PREMIUMS VERSUS PAYOUTS

Although Clarity Act data does not include administrative or transactional costs, it does allow a comparison between the premiums gained by insurance companies and the claims paid out. As the next table shows, the ratio of premiums to claims varies wildly across the coastal parishes, from 0.14 in Cameron Parish to 3.19 in Lafayette Parish. From 2004-2015, insurance companies experienced a major loss in coastal parishes, earning only 59 cents in premiums for every dollar in claims.

In this map, parishes with the darkest shading (0-1) represent those where insurance companies paid out more in claims than they earned in premiums for the years 2004-2015 (in other words, where insurance firms lost money, even before expenses). In parishes with lighter shading (1.5 and up), insurance companies earned far more in premiums than they paid out in claims. In the remaining parishes, the ratio was close enough that the question of profitability depends heavily on administrative and transaction costs. Since heavily populated parishes were hit particularly hard, insurance firms lost money statewide over this period.

Analyzing the map, insurance companies appeared to fare worst in areas affected by Hurricanes Katrina, Ike, and Rita (southeast and southwest Louisiana). Homeowners fared



worst in northwest and especially in south-central Louisiana. In the latter area, premiums have continued to rise based on the parishes' vulnerable coastal location, but claims have remained relatively low due to the areas escaping the worst of major storms.

\*In the table below, ratios below 1 indicate that the insurance company paid out more in claims than it collected in premiums. Ratios above 1 mean that homeowners paid more in premiums than they claimed in payouts. Actual profitability for insurance firms is lower considering that the table does not take other expenses into account.

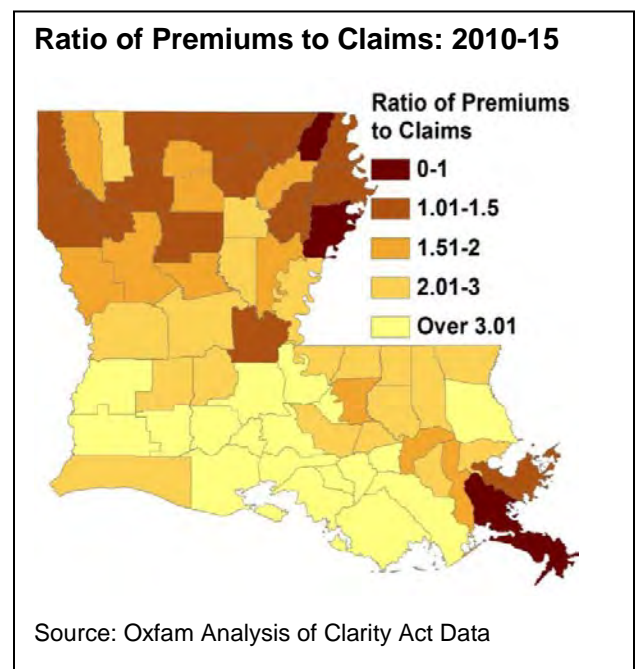
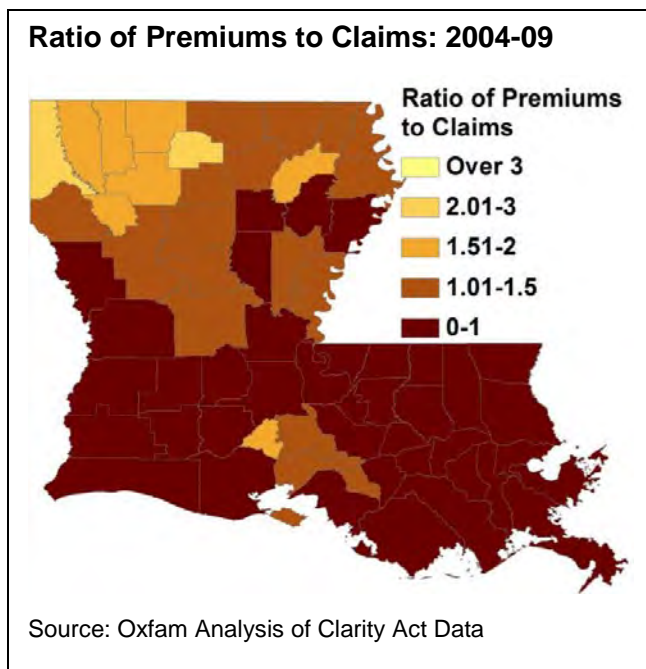
### Premium to Claims Ratio for Coastal Parishes

Parish	# of Policies	Average Premium	Average Claim	Premiums/Claims Ratio
Cameron	24,766	1,677	12,263	0.14
St. Bernard	142,531	1,525	5,770	0.26
Plaquemines	69,456	2,152	6,043	0.36
Calcasieu	655,471	1,229	3,350	0.37
Orleans	1,095,146	2,099	4,785	0.44
Washington	139,204	1,139	2,450	0.46
St. Tammany	946,555	1,690	3,189	0.53
Jefferson	1,606,954	1,864	3,466	0.54
All Coastal	7,439,375	1,612	2,751	0.59
Jefferson Davis	98,554	1,111	1,881	0.59
St. Charles	181,731	1,727	1,875	0.92
Assumption	80,674	1,277	1,235	1.03
Terrebonne	357,559	1,565	1,481	1.06
Lafourche	305,098	1,606	1,447	1.11
St. Mary	164,656	1,393	902	1.54
Acadia	185,361	1,157	682	1.70
Vermilion	191,387	1,298	765	1.70
St. Martin	164,777	1,148	611	1.88
Iberia	241,135	1,256	555	2.26
Lafayette	788,360	1,220	382	3.19

# RATIO OF PREMIUMS TO CLAIMS BY TIME PERIOD

In other states where Clarity Act data has been released, efforts have been made to analyze whether insurance companies have taken undue profits. In Louisiana, this approach is complicated by the degree to which Hurricane Katrina single-handedly dominated claims across the 12-year period, virtually ensuring that insurance firms would see a loss in coastal parishes even if they made a profit nearly every other year.

For example, in Orleans Parish, 77 percent of all insurance claims for the 12-year period of data came in the years 2005 and 2006. However, premiums exceeded claims in most coastal parishes from 2010-2015, in many years by significant margins. This has led to frustration for coastal parishes, as residents have seen their premiums rise for years while making either few or no claims. It remains to be seen whether the years 2004-2009 were a fluke or a new norm for coastal Louisiana.



# PROFILE: PLAQUEMINES PARISH

In order to gain a better understanding of the obstacles facing homeowners in coastal Louisiana, the authors of this report conducted focus groups in Plaquemines and Terrebonne parishes. Residents in both parishes complained of constantly rising premiums, despite a lack of claims and efforts to invest in mitigation features.

<b>Plaquemines Parish</b>	
<b>2000 Population</b>	<b>26,757</b>
<b>2015 Population</b>	23,495
<b>Change in Population</b>	-3, 262
<b>Average Premium: 2014</b>	\$2,523
<b>Median Household Income: 2014</b>	\$54,835
<b>Premium Increase: 2004-15</b>	80%
<b>Increase in Income: 2007-15*</b>	22%
<b>Percent in Poverty: 2014</b>	18%
Source: American Community Survey	



Residents of Plaquemines Parish face the highest homeowners premiums in Louisiana, due to their exposed location on the southeast Louisiana coast. Many families in the parish have lived there for generations, earning a living either in local fisheries, citrus farms, or in the offshore oil industry. The population has declined in recent years as more and more of these families relocate due to rising barriers to affordable housing. Not only is much of the parish located in flood zones, but Plaquemines also features some of the highest wind speeds in the state, leading to higher homeowners premiums.

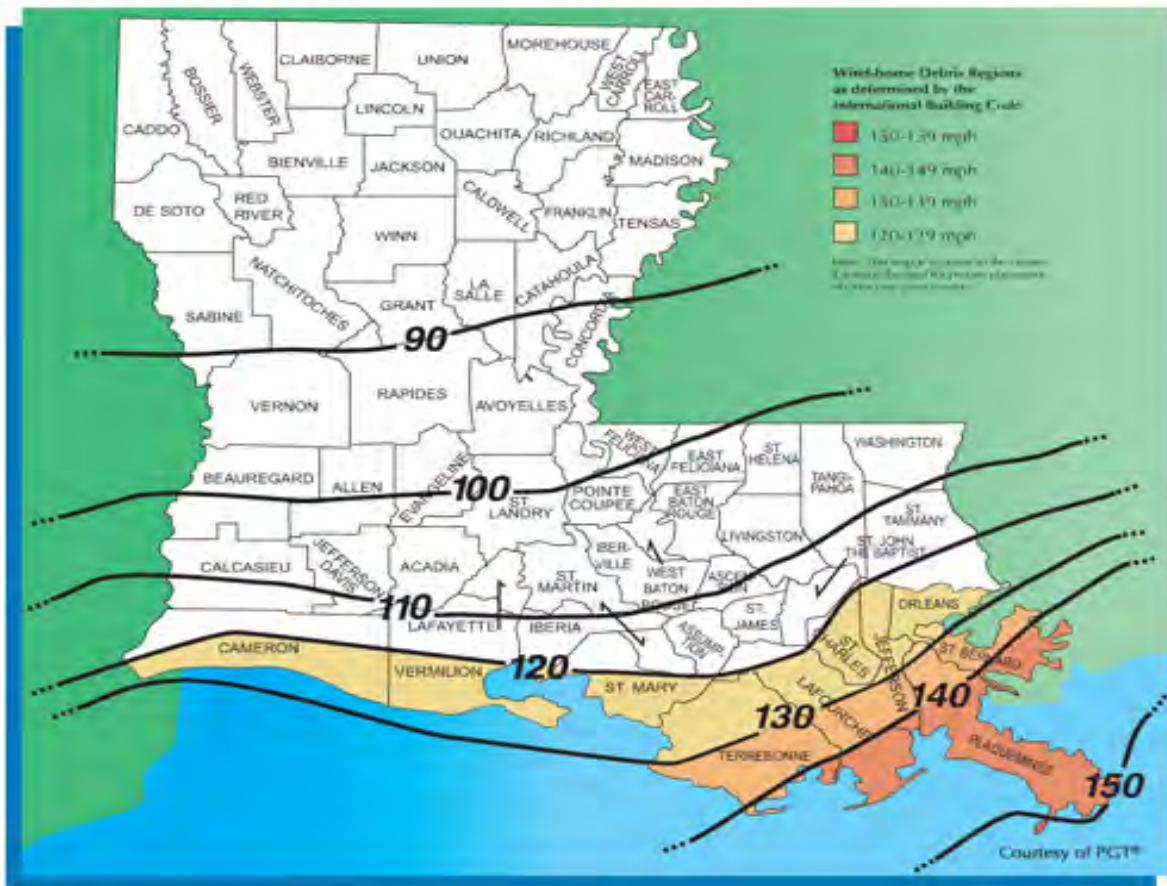
Plaquemines is unique in comparison to more urbanized coastal parishes in that many residents own manufactured homes. Given the quick depreciation of these homes, this has led to many homeowners who opted for a value-only policy to not receive adequate compensation in the event of a natural disaster. One homeowner interviewed related that she had only received enough from insurance companies to pay off the value of her destroyed home, and nothing with which to find a new dwelling. Homeowners also related that many individuals with paid-off homes, either site-built or manufactured, have elected to forego insurance altogether.

Homeowners understood that a policy governing the value of the home (or the lack of an insurance policy altogether) left them extremely vulnerable in the case of a disaster. However, the enormous expense of full coverage caused them to take long-term risks in order to pay other bills. Another disaster on the scale of Hurricane Katrina could leave thousands of Plaquemines residents without any recovery options. The homeowners spoken to were split on whether they would attempt to come back after another major storm, but when such a disaster strikes, many families may lack even the option.

As this map from the American Society of Civil Engineers (ASCE) shows, Plaquemines Parish faces some of the most severe wind speeds in Louisiana.

### ASCE Wind Zone Map

### Louisiana



# PROFILE: TERREBONNE PARISH

While insurance costs are not quite as high in Terrebonne Parish as in Plaquemines, neither are incomes. Premiums have risen nearly 80 percent since 2005, far outpacing even the substantial income growth over that time period. As in Plaquemines, many households depend on jobs in fishing, oil, and natural resources, leading to hard times recently for many families. The median income for Terrebonne Parish fell nearly \$9,000 from 2013 to 2014, as oil production faltered. Premiums on the other hand, have continued to rise, leading to growing financial burdens.

Terrebonne Parish	
<b>2000 Population:</b>	<b>104,503</b>
<b>2015 Population:</b>	111,860
<b>Change in population</b>	+7,357
<b>Average premium 2015:</b>	\$1,868
<b>Median Household Income 2015:</b>	\$49,932
<b>Premium Increase 2005-14:</b>	79%



As one member of the community related:

People in our communities are being priced out of their home, because of insurance rates. In a few years only the super-rich will be able to afford to live on the coast. The Louisiana coast has traditionally been a working coastline, where decent people took to the water to earn a modest living. I fear decades of traditions will be lost, when people are forced to relocate because of insurance prices. Shotgun homes will be replaced with million-dollar camps. One day a grandson will ask his grandfather for stories of the waterways, for stories will be the only thing we have. If we must leave, then tell us why!

Participants in the focus group expressed frustration with the lack of transparency behind rising rates, despite their lack of recent claims. One homeowner related that her premiums continue to rise frequently every year, despite her household's investment in numerous mitigation techniques such as hurricane ties. She also complained of a lengthy and extensive process for applying for grants or mitigation discounts. To quote another focus group participant:

Transparency has been hard to find in the insurance industry. When I questioned the rate methods, I was met with secret clauses that protect the industry from sharing how their rates are developed. I know companies have to make money, but making money off the backs of poor people without a reasonable explanation on rate increases is unfair.

Residents also complained that rates always rose with bad news (e.g., major storms) but never decreased after years of no claims. Some expressed dissatisfaction with the lack of transparency behind the computer models with which rates are set, as well as the allegedly single-minded focus on private market competition and price-shopping by the Department of Insurance.





Chauvin, in Terrebonne Parish, remained underwater nearly a week after Hurricane Gustav made landfall in Louisiana. Louisiana Recovery Authority

# LOWERING HOMEOWNERS INSURANCE PREMIUMS: BEST PRACTICES AT THE STATE AND LOCAL LEVEL

## Invest in Mitigation

Unlike flood mitigation, which may include expensive measures such as elevating homes and wet-proofing, many wind mitigation techniques are relatively affordable. The following techniques can significantly reduce damage to a home in the event of a hurricane or other severe wind event:

- Adding code-plus roof covering (e.g., wind-rated shingles)
- Bracing gable end walls
- Enhancing foundation-to-wall connections
- Adding or enhancing roof-to-wall connections such as hurricane ties
- Protecting window openings and doors (e.g., hurricane shutters)

Investments such as hurricane ties (clips which attach the roof to the structure and are nailed at both ends) can often pay for themselves in lower insurance premiums in a few years. Most hurricane-prone states now offer discounts on homeowners insurance for structural investments aimed at reducing wind damage.

## Establish a Uniform Standard for Wind Mitigation Credits

State initiatives aimed at lowering homeowners premiums must be publicized and easy to participate in. At present, homeowners looking to reduce their premiums through mitigation efforts lack any guarantee that their investments will pay off. Insurance companies often provide discounts for certain mitigation features such as hurricane ties, but the policies, incentives, and awareness of these discounts vary by firm. No single standard or automatic discount has been put in place to ease the process for homeowners.

## The FORTIFIED Home™

Many existing state mitigation efforts, such as Mississippi's Coastal Retrofit Program and Strengthen Alabama Homes, utilize the FORTIFIED Home™ standard developed by the Insurance Institute for Business and Home Safety (IBHS). This program draws on extensive research into construction features, mitigation approaches, and engineering best practices, in order to identify the most cost-effective strategies to strengthen a home's safety and resilience.<sup>25</sup>

The FORTIFIED Home™ program consists of three tiers: Gold, Silver, and Bronze. Pilot programs already exist aimed at incorporating these tiers into a national standard. The fact that the FORTIFIED Home™ program has been exhaustively tested and researched lends it a great deal of credibility, both with state legislators and insurance companies. This allows for the standard to be easily incorporated into state mitigation and retrofit programs, and tied to automatic discounts based on a home's certification.

The process for qualifying for reductions in homeowners insurance premiums can be made fairly straightforward and streamlined. A FORTIFIED Home™ inspector examines a home and presents the homeowner with a certificate based on the mitigation and construction features in place, which the owner can then use to claim reductions in premiums. Most of the states that

are at great risk of hurricanes, including Mississippi and Florida, have tied mitigation investments to automatic and guaranteed decreases in premiums. Florida has also provided funding for inspections, and set up a financial calculator to show future savings on premiums. At present, however, Louisiana has yet to enact such a standard, or provide an easy way for homeowners to predict potential savings from an investment in mitigation.

### **Examples from Florida**

Of all states at risk of hurricanes, Florida has done the most to investigate approaches to reducing homeowners premiums and funding statewide mitigation programs. The Florida Comprehensive Hurricane Damage Mitigation Program (later renamed the My Safe Florida Home Program), created several programs aimed at protecting homes and lowering premiums. The legislature allocated \$250 million to fund home inspections, mitigation grants, education and certification of inspectors, and public outreach and education efforts. Over the course of the program, 400,000 homes were inspected and over 40,000 grants were awarded to homeowners for the installation of storm-mitigation features.<sup>26</sup>

Over the course of this and several other initiatives, the state of Florida has discovered that widespread participation in mitigation depends on several key factors. Among them:

- **Awareness:** Florida saw participation on the part of homeowners significantly increase after dedicating \$1 million to spreading awareness of mitigation and financing options.
- **Ease of participation:** Florida provided complimentary inspections and connected the results to automatic insurance reductions.
- **Financing:** Florida provided over 40,000 grants for the mitigation of homes.
- **Information:** inspectors provided homeowners with a list of possible mitigation actions, their effect on premiums, financing options, and other relevant information necessary to take action.
- **Improved Data Collection:** effective programs require accurate and comprehensive information.
- **Centralized Oversight:** having one agency oversee mitigation programs reduces waste and redundancy, and gives citizens a central portal through which to access information.

### **Lobby for Permission to use HOME and CDBG grants for Mitigation Purposes**

The Department of Housing and Urban Development (HUD)'s HOME Investment Partnerships Program and Community Development Block Grant (CDBG) program provide funds to local communities for the purpose of constructing or rehabilitating housing (in the case of HOME) or for addressing community development needs, including housing (in the case of CDBG). These funds can be utilized not only for direct investment, but also for the provision of low-interest loans and grants. For example, communities may provide loans or grants to homeowners for rehabilitation purposes.

Such an approach would be ideal for funding homeowner mitigation, and would be very similar to the process by which homeowners apply for rehabilitation grants and loans. In many cases, municipalities would not even need to provide grants to homeowners, as mitigation investments would pay for themselves in a few years through reduced premiums. They only need to offer these homeowners an affordable financing option for the initial investment. A reduction in homeowners insurance rates has the potential to lower housing costs for low-income homeowners in the same way that housing vouchers, low-income housing tax credits, housing rehabilitation grants, and other programs currently assist affordable housing efforts.

Unfortunately, HOME and CDBG funds cannot currently be used for mitigation investments. CDBG disaster recovery grants can be used for recovery and mitigation after a natural disaster. However, studies have shown that preparing before a disaster can be far more cost-effective than making investments after the fact. Louisiana and other coastal states could benefit from lobbying the federal government to allow for more flexible usage of these grants for the purposes of wind mitigation.

### **The Need for Financial Assistance and Financing Options**

Studies of the efforts in Florida and elsewhere have confirmed that the lack of financing is the main obstacle for homeowners looking to mitigate. Louisiana does not currently have any statewide financing options with which to assist with mitigation projects for homeowners. This disproportionately impacts low-income homeowners, who lack the capital to finance these projects upfront, even if they know they can recoup the investment soon afterwards. Furthermore, studies show that homeowners tend to underestimate the risk posed to their homes by natural disasters. Taking out the guesswork, eliminating upfront costs, and streamlining the mitigation process could encourage thousands of new homeowners to participate and see lower insurance premiums.

### **Reinsurance**

One of the factors driving the increase in homeowners insurance premiums has been the cost of reinsurance rates. Individual insurance firms generally lack the enormous capital reserves necessary to cover damages in the event of a large natural disaster such as Hurricane Katrina. Instead, they in turn purchase insurance from larger international insurance companies, often overseas. Because these larger firms, such as Lloyd's of London, must not only cover their expenses but also gain profits for investors, considerable transaction costs are added to the final price paid by homeowners.

For this reason, the state of Florida established the Florida Hurricane Catastrophe Fund, in order to build up reserves that can be used in case of a major storm. The state finances this fund through annual fees levied on insurance firms. The fund serves the same purpose as reinsurance, but at a lower cost. Even if Louisiana were not able to set up such a fund on its own, it could potentially be undertaken at the regional or even federal level, leading to considerable savings for homeowners. Many advocates of affordable insurance are now recommending a national program to provide affordable reinsurance to individual firms.

### **A Central Site for Homeowners Insurance Mitigation**

Finding information on mitigation options (and other means of lowering homeowners insurance premium in Louisiana) was not an easy or intuitive task. Much of the information on state programs contained in this report came from attending a conference on homeowners insurance and speaking personally with industry experts. Many searches turned up programs active in Mississippi, Alabama, and Florida, even when "Louisiana" was specified. An online search only turned up a web page instructing homeowners to contact the Louisiana Department of Insurance or their homeowners insurance agent.

Many (if not all) insurance firms in Louisiana offer discounts of varying amounts for mitigation efforts and wind-resistant construction features, but no statewide mandated guarantee exists that homeowners investing in these features will see financial benefits. Homeowners face a great deal of risk and uncertainty when attempting to invest in their home's strength and resilience, with no surety of savings. Furthermore, no statewide funding exists for mitigation, either in the form of low-interest loans or grants.

A central site dedicated toward mitigation could help homeowners: learn the steps required to qualify for insurance discounts; estimate their short- and long-term cost savings; be notified of any local, state, or federal public or non-profit options for financing assistance; and receive general information on best practices for wind and disaster mitigation.

# CONCLUSION

Households in coastal Louisiana face an unprecedented array of challenges. Coastal erosion and climate change increasingly threaten their way of life; each year they face the risk of more frequent natural (and man-made) disasters. In addition, they struggle with declining incomes and increasing costs of living, including rising insurance premiums.

Many coastal residents are overwhelmed; low- and middle-income households—including many whose families have lived off the land for generations—have been the hardest hit. The question is: What are the most cost-effective and sensible solutions to some of these problems?

While the sudden rise in flood insurance premiums has received national attention, not enough attention has been paid to skyrocketing homeowners insurance premiums. These costs have had devastating effects on coastal communities.

One of the most promising win-win scenarios is to invest in enhancing the resilience of Louisiana homes. With smart approaches to mitigation, homeowners can see declining premiums; insurance companies can reduce their financial risk; and the overall economic, cultural, and social health of coastal communities can be made more secure.

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COVER: In the wake of several hurricanes since Katrina hit in 2005, owning a home along the coast of Louisiana is increasingly difficult--and expensive. Homeowners insurance rates have skyrocketed in many coastal parishes. *Mary Babic / Oxfam America*

## A GROWING BURDEN

The Louisiana Property Insurance Clarity Act, passed in 2014, requires greater transparency in premiums paid by Louisiana residents and payouts by insurance companies operating in the state. This report examines the social and economic costs of rising home insurance premiums on Louisiana communities, with a particular focus on coastal communities hard hit by recent natural and manmade disasters. This document investigates recent trends in insurance premiums and housing costs via the following methods:

- By analyzing homeowners insurance data from 2004 to 2015 and from the US Census Bureau. The project compares homeowners insurance premiums and losses in coastal Louisiana (defined as roughly 50-70 miles from shore) against those in the rest of the state.
- By examining the social vulnerability of coastal communities and the effect of rising premiums on regions already featuring low incomes, high rates of poverty and unemployment, rising water, and the impact of climate change on their livelihoods.
- Through interviews with residents of the coastal parishes of Plaquemines and Terrebonne. The report assesses how rising insurance premiums are affecting residents of these areas, and incorporates input and ideas from interviews into the recommendations.



**OXFAM**  
America

**HEADQUARTERS**  
226 CAUSEWAY STREET, 5TH FLOOR  
BOSTON, MA 02114-2206  
(800) 77-OXFAM

**POLICY & ADVOCACY**  
1101 17TH STREET NW, SUITE 1300  
WASHINGTON, DC 20005  
(202) 496-1180  
info@oxfamamerica.org  
oxfamamerica.org

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