SURPLUS LINE REPORTER & INSURANCE NEWS

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NEWS IN BRIEF

PEOPLE

Stonetrust Commercial Insurance Company announced Sept. 2 the hiring of Jeff Skaggs as senior vice president of underwriting and marketing;





Skaggs

Boniol

Dawn Boniol as manager of compliance, quality control and claims support, and Richard Perkins as loss prevention outreach coordinator. Skaggs formerly was chief operating officer for Empy-

rean Management Services, and prior to that he was the senior vice president of policyholder services and agency relations at LWCC. Boniol formerly was a claims operations supervi-



Perkins

sor with LWCC and a claims team leader with Progressive Security Insurance Company. Perkins formerly was the safety services manager and outreach coordinator at LWCC, and he has more than 26 years of safety and consulting experience. "All three individuals are outstanding contributors to our team, and each will play key roles in growing the company as a first choice workers' compensation carrier for our agency partners and policyholders in all of our markets," said Stonetrust president and CEO Michael Dileo.

IIABL announced Aug. 31 a number of staff changes including the hiring of Benjamin Albright and Kathleen O'Regan and the departure of Francine Berendson. After conducting an exhaustive search, IIABL's Executive Committee identified 29 potential candidates, interviewed four finalists and recommended Benjamin Albright to the IIABL board of directors, which reviewed the candidate and approved by unanimous rollcall vote hiring him as vice president of strategic initiatives. In

See NEWS IN BRIEF Page 4

LCPIC board sends rate filing to LDI See Page 12

Estimates of Onshore damage from Laura are \$4-\$12 billion

Early estimates of onshore property damage from Hurricane Laura by various modelers range from about \$4 billion to \$12 billion. Those estimates came in from CoreLogic, Karen Clark and Company and AIR.

Several days later, risk modeler RMS estimated that onshore and offshore insured losses from Hurricane Laura could range from \$10 billion to \$15 billion.

The RMS estimate included \$1 billion to \$2 billion of offshore losses, including specialty lines such as refineries and petrochemical plants.

According to RMS Model Development VP Pete Dailey, offshore assets have evolved significantly since hurricanes Katrina and Rita in 2005 and Ike in 2008, but there is still a prevalence of platforms, rigs, and pipelines in the Gulf region. Many of these assets, including several high-value deep-water platforms, were exposed to the significant wind and wave impacts from Hurricane Laura, he said in a statement.

National Flood Insurance Program losses of \$400 million to \$600 million were included in the RMS estimate. The RMS figure accounts

See **HURRICANE LAURA** Page 5



Hurricane Laura made landfall as a strong Category 4 hurricane near Cameron, Louisiana, shortly after midnight on Aug. 27. Laura's maximum sustained winds went from 75 to 150 mph in 36 hours, taking the storm from a Category 1 to a Category 4. See more photos of the aftermath of Laura on page 26.

issues C&D orders to two producers

Commissioner of Insurance Jim Donelon issued a Cease and Desist Order to Monroe insurance producer Jerry Dool for including false information on insurance applications, altering or forging names on checks and electronic transfer forms, and receiving commissions based on fraudulent applications. In addition to the C&D, on Aug. 19, Dool was issued a notice of revocation of his producer's license and a notice of a \$4,500 fine due immediately.

On Sept. 11, LDI issued a C&D order, a license revocation and summary suspension, and notice of a \$1,500 fine, payable immediately, to Lafayette Parish producer Matthew Sias for alleged misappropriation of premium funds.

Each of the producers has 30 days from the time the individual orders were served to request an administrative appeal on the C&Ds, license revocations and fines be-

The Reporter was unable to reach Dool

to learn whether or not he intends to appeal LDI's order. The number listed for Dool on LDI's website as his contact number is no longer in service. The number referenced in the C&D order as Dool's personal number was busy on several attempts, and a third number answers that the voice mail has not been set up.

Dool held life and accident and health licenses from Oct. 5, 2007, until Sept. 30, 2018, when the two licenses lapsed, according to LDI records.

Prior to his license lapsing, Dool held appointments with three insurers during the past eight years. According to the C&D order, he was appointed by Equitable Life and Casualty from June 18, 2013, until April 30, 2015; by Transamerica Life Insurance Company from May 5, 2016, until April 30, 2018, and by Senior Life Insurance Company from Dec. 4, 2017, to May 7, 2018.

The 18-page C&D order lists 23 customers who were allegedly duped by Dool in

various ways. Most instances occurred in the 2015 to 2018 time frame, and all but three involved monthly premium between \$50 and \$100.

In several cases, Dool issued customer applications for life insurance policies through Transamerica which remain active. In many instances, instead of submitting a voided check to the insurer, Dool wrote notes indicating the customer had run out of checks, and that he, Dool, used a deposit slip to provide the customer's bank information to the insurance company.

Later – sometimes a couple of months later or in one case as long as four years later – Dool submitted bogus applications to Senior Life or a second application to Transamerica, without telling his customer. In some cases he submitted the voided check that the customer had given him for the earlier policy. He altered the date on

See PRODUCERS GET C&D Page 10

Williams takes top slot at PIA of Louisiana

The coronavirus pandemic caused the PIA Convention scheduled for July to be canceled, then Hurricane Laura caused the virtual convention that was scheduled in August to be canceled, and the hurricane caused massive destruction to Southwestern Louisiana, but that has not dampened the sense of humor of PIA of Louisiana's new president, Charlie Williams. When the Reporter emailed him to see when he had free time to do a phone interview, his response was "when I am sleeping."

Williams, president/owner of the Daly Williams Agency in Jennings, took over the presidency of PIA of Louisiana from Bryan Duplantier, Alpha Insurance Agency, Gretna,

See Page 17

Lloyd's announces

half-year losses



Williams

on Sept. 1 with no formal fanfare.

Since Hurricane Laura made landfall Aug. 27, Williams has been busy taking care of his customers who had damage from Hurricane Laura and needed policy information to file claims

with their insurance companies.

After the storm, most of the Jennings area was without power. Since his agency was among those without power, the calls to the agency's phones were forwarded to

QBE announces departure of CEO See Page 21

Williams's cell phone. He spent time in his sweltering office looking up policy numbers for insureds and making notes relative to the calls. "After working for a while, I realized I needed a towel because the sweat from my forearm was causing the ink on the yellow tablet to smear," Williams told the Reporter. It is trying times like these that reinforce the importance of the job that insurance agents do, Williams added.

Williams, a third generation insurance agent, has been in the insurance business since 1978 when he joined the insurance agency that his grandfather started in the

See PIA OF LOUISIANA Page 2

AM Best outlook is stable for reinsurance sector See Page 22

PIA of Louisiana

late 1940s. The agency's name became Daly Williams in 1957 after his father bought out Williams's grandfather.

Williams joined the agency after graduating from Louisiana Tech with a degree in economics and finance with an emphasis on insurance. According to Williams, he started at the bottom of the agency by typing assigned risk automobile policies and doing filing.

When the Reporter asked how long he has been involved with PIA, Williams responded that he was a "PIA brat. I grew up going to the PIA convention back when it was held at the Broadwater Beach Hotel." His father served as president of the association in 1958.

Williams is currently serving his second stint on the PIA of Louisiana board of directors, having first served from 1984 until 1990. In addition, through the years he has served on various committees for the state association.

In 2004, Williams received the Agent of the Year award from PIA of Louisiana.

He was instrumental in founding the Southwest Chapter of PIA in Lake Charles, and he served as president of the now dormant local chapter.

Outside of insurance, Williams is a longtime member of his community's Kiwanis Club board and is a member of, and served several times on, the board of the Jennings Chamber of Commerce.

His goal for PIA in the coming year is to continue with what has been established by the previous presidents. "I don't want to mess up a good thing," Williams said. He praised the job his predecessor did during the pandemic. "Bryan did an exceptional

job because he had to adapt to something that no previous president had to deal with," Williams said. "PIA does a good job providing education opportunities to members, social functions, services for PIA members, and promoting the agency network and the association," he explained.

Williams believes the biggest benefit of membership in PIA is that there is a sense of family among the members of PIA. "You really see it in a time of need; the membership comes together, feels connected, and that we are all in this together," Williams said. "We are family working in the same industry," Williams added.

Also taking office were Clint Gulett, Advanced Insurance Planning, Shreveport, president-elect, and, Ryan Daul, Daul Insurance Agency, Gretna, secretary-treasurer. As immediate past president, Bryan

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Duplantier, Alpha Insurance Agency, Gretna, remains on the board of directors.

New to the PIA of Louisiana board of directors are Robert Broussard, The Greater Louisiana Insurance Group, Baton Rouge; Guy Chabert, Chabert Insurance Agency, Thibodaux, and Dana Myers, Gulf South Insurance Agency, Baton Rouge.

Continuing on the board are Danette Castello, Castello Agency, Zachary; Jessica Clayton, Classic Insurance Agency, Kenner; Jennifer Clements, Dan J. Burghardt Insurance, Metairie; Danielle Gendusa-Wagner, Gendusa Insurance Agency, Hammond; Linda Gortemiller, The Lincoln Agency, West Monroe, and Blaine Prejean, Affordable Insurance of Acadiana, Scott.

Al Pappalardo Jr., Pappalardo Insurance Agency, Mandeville, will serve as PIA of Louisiana's national director.



CAROL J. DEGRAW HARRIS, CPCU, ASLI EDITOR

> Andrew DeGraw Business Manager

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Insurance serves policyholders when there is 'no more'

By MICHAEL G. MANES Manes and Associates

Today is September 11, 2020 – the 19th anniversary of what we now call -9/11. The TV is playing in the background, reliving the terror of that day. It is the tragedy - no matter where you lived - that reshaped our world. We will never forget. August 27, 2020, was the day a storm named Laura leveled Lake Charles in Calcasieu Parish and cut a large swath of destruction through Louisiana. It was a day that will live in affected residents' memories forever.

I think this is the perfect time to remind each of you and all of you in the insurance business that we exist to serve in the darkest of times, not when everything is going great (rainbows and unicorns). Sometimes from our comfort zone, we forget our role. We can handle, without stress, an auto accident, a house fire, or a windstorm. The onesies and twosies of claims are merely practice or calisthenics for our real job – disasters.

If you've been through a major disaster where hundreds (thousands) of your policyholders (and you yourself) have had losses, you understand. If you've never seen such losses, you are "Clueless in Seattle" or wherever else you are. I interrupt this article to ask you, if there were riots, looting and arson in your downtown for over 100 days, how and what would you do? Really? Seriously? What if your office building had burned up in the Chop Zone?

Hurricane Katrina is the one storm that most people remember, even those in states which don't have hurricanes. The vivid memory is not as much of the storm itself but rather the social unrest (Read: chaos in the streets of New Orleans) that followed.

Nearly immediately after the storm, hundreds of evacuees from Orleans and St. Bernard Parishes arrived in New Iberia, my hometown, by bus. Most did not have their own transportation. Those with resources self-evacuated. Bused evacuees were herded into the recreation centers in New Iberia City Park and the West End City Park where they were housed.

"Housed" is too polite a word. There was a roof over their heads and a gym floor under their feet, and air conditioning. Bathrooms designed to meet the needs of a few people during the day were now their pri-

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mary latrine. Outside there were portable toilets. The men and little boys could also find relief behind the many trees in the park; the women and some children were more limited in their options. At night they had blankets to cover themselves. Some had a duffle bag or suitcase with their other worldly possessions. Their world was not about comfort or convenience: it was about survival.

In New Iberia, the American Red Cross teams came in unprepared for and mostly clueless about the task awaiting them. Shortly thereafter, local leaders, individual volunteers and civic groups took charge. The process improved greatly, but the evacuees were still far from home; their world remained in chaos, and most were fearful of the destruction awaiting them back home.

In an effort to diffuse the tension that

was reaching dangerous levels, Mayor Hilda Curry asked me to facilitate a "listening session," so the evacuees could be heard. Her instructions were simple, "Let them vent, let off their steam safely and voice their frustrations." Fifteen years later, a few vivid memories remain.

Congressman Charlie Melancon, whose district included St. Bernard and other low lying parishes of south Louisiana was one of the first speakers that night. He had been able to visit the area by Coast Guard boat earlier that day. Charlie, normally unflappable, was visibly shaken. He said, "I planned to bring some hopeful news to you, tonight. I can't. There is no more St. Bernard Parish."

Today, from the media reports and friends in the area, Hurricane Laura has left Calcasieu Parish and Lake Charles in a similar condition. Normal is years away. A livable new normal is many months away.

Throughout the program that night nearly every attendee was trying to reach someone, somewhere, on their cell phones. Unfortunately, all were unsuccessful. The phones that had already become a part of our lives were not effective. A brick to our ear could have at least started a conversation; the phones could not. Cellphone towers and utility lines are often destroyed in the storm. After a major disaster, life will more closely mimic the Flintstones, not the Jetsons. If you don't know these folks, google them while you have electricity.

A few speakers were empathetic and tried to feel the evacuees' pain. Too many were bureaucratic and just told the audience

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what they thought the evacuees needed to do. Unfortunately, what their procedure manuals suggested as solutions, the evacuees were not able to do in the wake of the destruction in their parishes, absence of phones and utility infrastructure and closed roads. Access to their homes (if indeed they remained) was verboten. All assumed they had a major loss awaiting them at home; their only question was, "How bad?"

That is a nagging question to have on your mind 24/7.

A local government bureaucrat was speaking to the group, when he was asked by a very large and angry evacuee an important and appropriate question that this emergency expert should have been able to answer or, at least, empathetically respond to with the promise to get an answer to the evacuee at the shelter the next day. Unfortunately, the bureaucrat said, "You don't understand my problems." You could see the rage in the face of the questioner and the rest of the crowd. I quickly responded to the bureaucrat, "It is your job to understand and help solve his problems; it is not his job to understand your problems."

Here's reality. As agents our most important role and service provided is not to process paper, negotiate better rates and answer questions about coverages. These are our jobs but not our most important role. Our role is to pick up the pieces when our clients' lives, communities and businesses have fallen or are falling apart. Our most important job starts when others leave home in a crisis or head home after it. If Hurricane Laura just leveled your town, would you be up to the job you signed on for as an agent?

You claim to be different, even better than

your competitor. The marketplace of chaos is where you prove your brand. Success is not in what you say; it is in what you do.

I have vivid memories of individuals and organizations that rose to the challenge. My two favorite success stories include the chancellor of a medical school in New Orleans who evacuated to Baton Rouge for the storm and returned to the city to discover that the medical school could not reopen in New Orleans for a long time. He, his team and the students relocated the medical school to Baton Rouge in a week. They made it work. It is an amazing story. Amazing stories are created by disasters.

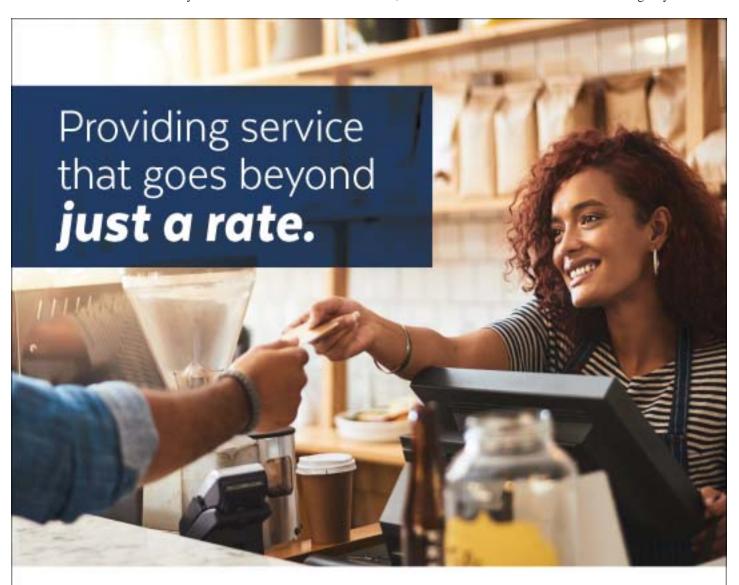
A New Orleans insurance agency principal stayed with friends in Baton Rouge. Most of his team had evacuated there as well. After the storm, he realized this was to be his home and his agency's "office"

for a long while. He quickly rented apart-

FROM PAGE 3

ments to house his team and office space to serve his customers. It was not easy, but it was what had to be done. A tentative decision-making process or waiting to see what happened may have resulted in no housing and limited options, as Baton Rouge filled up fast with evacuees, their families and businesses, and entrepreneurs committed to restarting their lives. Would you have had the resources and courage to act quickly in chaos? Remind yourself: The worst of times creates the playing field for champions in our industry. Your best is needed when the worst is the norm.

I pray you never have to work through this sort of crisis. I pray harder that if you do, you are prepared. It's the promise you made when you chose this industry or this industry chose you.



Michael St. Germain

saint@rodcoworldwide.com

Sharon Trapani

sharon@rodcoworldwide.com

Sheral Robinson

sheral@rodcoworldwide.com

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NEWS IN BRIEF FROM PAGE 1

his new position, Albright will focus on IIABL's strategic goals of helping member agencies meet the challenges of the future in insurance technology; improve the management and operations of agencies and maintain market access for small independent agencies. Albright comes to IIABL from LWCC where he worked as customer experience analyst. Before that he worked as the marketing manager at Eagan Insurance Agency for seven years. O'Regan joined the IIABL staff on Sept.14. She comes to IIABL from the Louisiana Automobile Dealers Association, but she learned the association business at the Tatman Group where she lobbied and worked on behalf of IIABL. O'Regan will handle communications and marketing, events and education, and membership. After 25 years of service to IIABL, Rhonda Martinez will semi-retire effective Dec. 1, 2020. She will continue to work part-time, mostly from home, servicing the RLI personal umbrella and in-home business programs which Jamie Newchurch has been handling. Contact Martinez RMartinez@IIABL.com or 225-236-1352. Newchurch will handle all of IIABL's professional liability (E&O), EPL, and cyberliability programs. Newchurch may be reached at JNewchurch@IIABL.com or 225-236-1350.

Rhonda Lobell, Lobell Insurance Consulting and Training, is a candidate for mayor of French Settlement, a town of about 1,200 near Baton Rouge. Lobell currently serves as mayor, having been appointed to the post in December after her predecessor resigned suddenly, and the mayor pro tempore, who was next in line for mayor, also resigned. Lobell, who was an alderman, already was planning to run for mayor in 2020. She resigned the alderman position to be appointed mayor. Lobell has picked up two opponents for the mayoral election. The primary election is Nov. 3. Lobell has held a property/casualty producer's license since Jan. 19, 2001. She also holds accident and health, life, surplus lines and claims adjuster licenses. Over the years, Lobell has been active with the Professional Insurance Agents of Louisiana, has held officer positions and has been recognized by the association with awards.

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Hurricane Laura —

for wind, storm surge, and inland flood losses across impacted states. RMS included property damage and business interruption to residential, commercial, industrial, and automobile lines; post-event loss amplification; and non-modeled sources of loss.

"Although Laura avoided major metropolitan areas like Houston and New Orleans, it was still an extremely impactful U.S. event," maintaining intensity as it moved inland, causing widespread wind and water-driven damage well into interior portions of Louisiana, RMS North Atlantic hurricane models Senior Product Manager Jeff Waters said in a statement.

CoreLogic updated its pre-hurricane residential and commercial wind and storm surge loss estimates on Aug. 28. According to the property analyst's new data, insured wind and storm surge losses for residential and commercial properties in Louisiana and Texas are estimated to be between \$8 billion and \$12 billion, with insured storm surge losses estimated to contribute less than \$0.5 billion to the total.

Fueled by high sea surface temperatures, Hurricane Laura made landfall as a 150 mph Category 4 storm on Aug. 27. It was the strongest storm since the 1856 Last Island Hurricane. Laura made landfall close to Cameron, Louisiana, near the Texas border. In addition to the winds, Laura brought with it around 15 feet of storm surge and widespread heavy rain across the Gulf region, continuing in a northerly direction through Louisiana and into Arkansas.

As Hurricane Laura approached the coast, the storm's center struck a more

FROM PAGE 1

sparsely populated area of the Louisiana and Texas coast. "There is never a good place for a hurricane to make landfall, but this was the best possible outcome because it spared the major population centers of Houston and New Orleans," said Curtis McDonald, meteorologist and senior product manager of CoreLogic.

Hurricane Laura weakened as it moved over land, which safeguarded some metropolitan areas from the full impact of a landfalling Category 4 hurricane, CoreLogic said.

Two days prior to the storm making landfall, CoreLogic released data analysis showing that 431,810 single-family and multifamily homes along the Louisiana and Texas coasts with a reconstruction cost of approximately \$88.63 billion were at potential risk of storm surge damage based on Laura's projected Category 3 status at landfall. CoreLogic's estimate included properties in Lake Charles, Lafayette, Houma-Thibodaux, Morgan City and Jennings in Louisiana and Houston, Beaumont-Port Arthur, Port Lavaca and Bay City in Texas. As the storm intensified and its trajectory changed, some of those locations were spared.

In a statement issued Aug. 31, Bostonbased catastrophe modeler Karen Clark and Company estimated that onshore insured losses from Hurricane Laura will be close to \$9 billion. Laura caused \$8.7 billion of losses in the U.S. from wind and storm surge and \$200 million in the Caribbean, KCC said.

Included in KCC's estimate are privately insured wind and storm surge-related damage to residential, commercial, and indus-

See HURRICANE LAURA Page 6





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FROM PAGE 5

Hurricane Laura trial properties, as well as insured damages to automobiles, the modeler said. The esti-

to automobiles, the modeler said. The estimate does not include National Flood Insurance Program (NFIP) losses, or any losses suffered to offshore assets.

Peak storm surge heights did not reach the worst-case predictions of the National Hurricane Center, and damage from flooding was less severe than projected, KCC said.

KCC notes that losses are not expected to be as high as they perhaps could have been, as Laura's highest wind speeds were tightly wound around the hurricane's center, resulting in a narrow swath of extensive damage. While the storm surge impacts were less than forecasted and originally modeled as the peak surge was only around 15 feet, below the 20 foot NHC prediction.

Hurricane Laura brought tropical storm force winds to multiple islands across the Caribbean, causing trees to be downed and power outages across Hispaniola and Cuba. Light wind damage was seen to roof coverings and other exterior elements, while most structural damage was the result of downed trees, according to KCC.

Damage along the western Louisiana coast up to Lake Charles has been extensive, KCC said. Structural damage has occurred to all types of properties, including wood frame homes and commercial structures. Damage to roof coverings, decking, and trusses has been widespread. Exterior siding, opening, and glazing damage have been extensive, and typically followed by progressive damage from water and wind infiltration. In addition to downed trees and signs, telephone poles have snapped, resulting in infrastructure disruption, KCC said.

In describing the damage farther along

Laura's path, KCC said that areas experiencing Category 1 and 2 hurricane force winds experienced less severe damage but over a slightly larger area. Scattered structural damage has occurred, and much of the severe damage has been the result of fallen trees. Roofs throughout the area have sustained damage, with some residential and commercial buildings experiencing severe damage to roof cladding and decking.

Tropical storm force winds extended further out from the storm center causing widespread low-level wind damage to roof covering and siding.

Even though the worst-case scenario storm surge did not materialize, significant flooding occurred in coastal areas. Due to extensive debris accumulation, roads have become impassable, delaying cleanup efforts in the most impacted areas, KCC explained.

Also on Aug. 31, AIR Worldwide said insured losses to onshore property from Laura will range from \$4 billion to \$8 billion. AIR Worldwide is a Verisk business.

"Although comparisons between Laura and Hurricane Rita have been made, they differ in two important ways: Rita was a larger storm and hit a more populous area than Laura did," said Dr. Cagdas Kafali, senior vice president of research, AIR Worldwide. "Rita made landfall west of where Laura did, impacting population centers of Texas; Laura made landfall well east of Houston and West of New Orleans, keeping losses lower," he said.

Laura's rapid intensification over abnormally warm Gulf waters was similar to Hurricane Harvey in 2017 and Hurricane Michael a year later. Prior to Laura, Harvey and Michael were the two most recent Cat-

egory 4 or stronger storms to hit the U.S, according to AIR.

AIR expects the combination of Laura's track through relatively lower populated areas to keep insured losses down somewhat, despite its major hurricane status at landfall.

Wind damage was the greatest in Louisiana, particularly in areas closer to the eyewall near landfall. Preliminary maximum wind reports from the National Weather Service reported 133 mph gusts at Lake Charles in Calcasieu Parish. There are reports of damage from torn off roofs and facades to structures that were destroyed, along with upended vehicles, and damage

to power lines, roads, railways and other infrastructure.

As AIR described the storm, Laura's winds diminished after landfall, but remained at hurricane strength for nearly half the day, pummeling the region for hours as the storm's center traversed north through Louisiana. Laura's storm surge was not as severe as expected, as the storm tracked a bit east of the Calcasieu Ship Channel, a waterway that connects the town of Lake Charles with the Gulf of Mexico, and pushed less water forward. The highest storm surge recorded thus far was around

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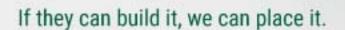
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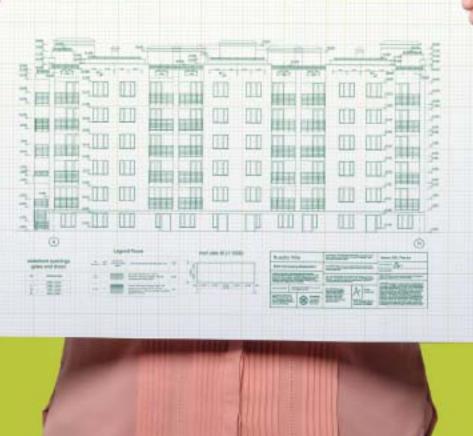
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RISK PLACEMENT SERVICES

resonant and a

FROM PAGE 6

Hurricane Laura

15 feet measured at the USACE river gauge on the Mermentau River at Grand Chenier in Cameron Parish.

Kafali concluded, "Residential buildings in and around Lake Charles saw significant damage to roofs of all geometries and with various roof cover types. Residential building envelopes were breached due to debris impacts, and the damage was further exacerbated in many cases due to the impacts of storm surge. Residential homes in Louisiana are founded primarily on crawlspace and slab foundations, both of which are vulnerable when it comes to flood damage." **Fitch comments**

While Laura generated devastating economic and insured losses in Louisiana, the storm is unlikely to trigger downgrades of individual property/casualty insurers or reinsurers, Fitch Ratings said in an Aug. 28

commentary on the storm's impact.

While losses will take some time to reconcile, there are indications that this will be an earnings and not a capital event for the industry. Fitch-rated insurers with the largest property market share in Louisiana have capital positions that remain robust at midyear 2020 despite the impact of the coronavirus pandemic, Fitch said.

The ongoing pandemic may compound the normal logistical challenges of assessing damage to property following a catastrophe event and lead to modestly elevated levels of loss adjustment expenses, Fitch predicted. Company-specific insured loss estimates remain uncertain, Fitch said on Aug. 28 in its Non-Rating Action Commentary. Information will be more forthcoming as third quarter financial results are announced.

Losses generated by Laura in combina-

tion with previous named storm landfalls in the U.S. in 2020, ongoing wildfires and losses related to the coronavirus, puts added stress on the industry earnings, according to Fitch. Personal lines writers were relatively unaffected by underwriting losses from the coronavirus in the first half of 2020 and remain well positioned to absorb losses from catastrophe events through the remainder of the year.

Fitch expects that traditional and insurance linked securities reinsurance markets will see claims from Laura through both quota share treaties and excess of loss business that has seen an accumulation of catastrophe losses in 2020. However, given the expected moderate size of the loss, the event is likely to have a greater impact on primary insurance companies than reinsurers. The impact of Laura on insurer and reinsurer earnings is expected to add to the push for higher rates on property reinsurance at upcoming renewals.

According to Fitch, homeowners market share in the states most affected by the storm - Louisiana, Texas and Arkansas - is dominated by the top five companies, which collectively represent over 56 percent of direct premium written: State Farm, Allstate, USAA, Farmers and Liberty Mutual. Commercial lines of business that are exposed to the impact of a hurricane landfall include allied lines, fire, commercial multi-peril, non-liability and inland marine. The commercial insurance market is less concentrated than the homeowners segment, with the five largest writers representing 24 percent of direct premium written, including CNA, Liberty Mutual, Travelers, Chubb and AIG.



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NEWS IN BRIEF FROM PAGE 4

Lee Ann Alexander has joined the American Property Casualty Insurance Association as vice president of state government relations. Alexander will be based in Austin and cover Texas, Louisiana, New Mexico and Oklahoma. Previously, Alexander was vice president of government affairs for the Surety and Fidelity Association of America and senior public affairs officer for Liberty Mutual Insurance Company. Joseph DiGiovanni, senior vice president of state government relations for APCIA said, "We are pleased to have Lee Ann join our team. Lee Ann has extensive background and knowledge regarding the insurance industry and will be a tremendous asset for the association and our member companies."

The National Alliance for Insurance **Education and Research announced** Aug. 20 the 2020 Outstanding CSR of the Year state winners. The 2020 winners from Louisiana is Brandon Hamilton, CISR, AINS, AIS, AU, AU-M, of Daul Insurance Agency Inc., Gretna. To be eligible for the award, candidates must be an insurance customer service representative or have primary responsibility for insurance customer service duties.

MEETINGS/EDUCATION

The Louisiana Claims Association will hold a virtual conference in two sessions, one Oct. 21-22 and the other Nov. 18-19. The 2020 theme of the virtual conference is Focus on Success. Each session gives attendees the opportunity to earn six hours of continuing education in three different tracks and includes two hours of ethics. The Oct. 21 session begins at 8 a.m. with a keynote address by Commissioner of Insurance Jim Donelon and concludes at noon, followed by a BYO lunch. The Oct. 22 session begins at 8 a.m. with an ethics program titled Ethical Decision Making for Claims Adjusters. For more information and to register visit LCA37@wildapricot.org.

The Louisiana Association of Self Insured Employers is going virtual for the LASIE 2020 Annual Conference to be held Nov. 4-5. Topics for the ses-

See NEWS IN BRIEF Page 19



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Producers get C&D

the check to coincide with the new application date.

In at least one case, he used the same check on a second bogus application to Senior Life, once again changing the date.

Occasionally, Dool would indicate that customers used only debit cards to pay. No voided check was presented with the application.

In 2018, Customer 1 contacted Senior Life and advised the insurer that she did not apply for either of the two life policies, nor was she familiar with Senior Life. She told Senior Life that Dool was her agent for the Transamerica policy. She faxed a letter to Senior Life requesting the unau-

thorized policies be canceled and all premiums refunded, whereupon she received the requested refund.

Based on that customer's information, Senior Life pulled Dool's book of business and attempted to contact 21 life policy applicants, according to the C&D order.

As LDI describes it, many of the applicants were difficult for Senior Life to contact because of incorrect and/or disconnected phone numbers and/or incorrect addresses on the applications. Several of the applicants who were contacted said Dool was their agent for previously secured life insurance through a different company. Some policyholders contacted Senior Life

after they were charged unauthorized premiums for a policy for which they did not apply. The applicants claimed they never submitted Senior Life applications and requested refunds.

In February 2018, Customer 5, sought representation from a different agent, who drafted a cancellation letter on the customer's behalf. The letter was signed by the customer and the new agent, and the agent filed a complaint with LDI against Dool.

In another instance, Dool submitted a bogus application for a Transamerica policy of insurance on behalf of Customer 6 who already had one policy with Transamerica.

FROM PAGE 1

The check submitted with the second application had a different first name than the customer's first name. Not a problem for Dool. According to LDI, he added his customer's name at the top of the check and drew a line through the printed address, and then added a new address.

In March 2017, Customer 6 notified Transamerica that she was being over-charged and was not aware of the second policy. The second policy was rescinded.

Less than a year later, Dool submitted an application for insurance to Senior Life for the same customer using the same pre-

The Louisiana Department of Insurance reviewed homeowners policies for Lake Charles residents relative to additional liv-

ing expenses, LDI said in a news release

sioner of Insurance Jim Donelon to discuss

the pending termination of the Mandatory

Evacuation Order for Calcasieu Parish and its implications for coverage of additional

living expenses for residents of that parish.

Donelon offered to have the policy forms

for State Farm Insurance Company, Allstate

Insurance, Louisiana Farm Bureau Group,

United Services Automobile Association (USAA), and Insurance Services Offices

ISO drafts and submits policy forms for

pated in a conference call with the mem-

bers of the Lake Charles City Council to

authority, such as the Mandatory Evacuation

Order issued for Calcasieu Parish, all of the policy forms reviewed contained the same

limitation of 14 days of coverage for such

evacuations. ALE coverage for homes which

were rendered uninhabitable by physical

damage from Hurricane Laura are subject

to the terms of their policies but generally

provide coverage of one to two years maxi-

5300 or www.ldi.la.gov if the department

Donelon urged public officials and policyholders to reach out to LDI at 800-259-

mum in such circumstances.

The review found that, when policyholders were ordered out of their homes by a civil

(ISO) reviewed for ALE coverage.

approval for 77 homeowner insurers.

At Hunter's request, Donelon partici-

advise them of the review's findings.

After advising Hunter that every policy can contain different coverages for ALE,

The review came about after Mayor Nic Hunter of Lake Charles contacted Commis-

Donelon reviews

issued Sept. 14.

See PRODUCERS GET C&D Page 11

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Producers get C&D

viously voided check that was previously sent to Transamerica. The check was further altered. This time with correction tape, LDI said in the C&D order.

In a separate instance in January 2018, an application for Legacy Assurance Membership enrollment was completed on Customer 10. The membership offers funeral merchandise at prices lower than the national average. The membership fee is \$3 per month. The hitch is that the customer said she did not know about the membership and did not apply for it.

Dool sent an application for insurance to Senior Life on Customer 11 with the monthly premium to come from an account belonging to Dool's wife. His wife was not the customer. In any case, the premium payment was rejected due to insufficient funds, and the customer got a letter from Senior Life informing her the payment was refused. A month later, the payment was again rejected for insufficient funds, and the policy lapsed. The customer called Senior Life and informed the insurer that she did not want the policy and wanted it canceled.

According to Customer 11, Dool called to tell her about the policy after it was issued. According to the C&D order, Customer 11 claims Dool told her his wife would pay for the policy "because it is something she does" for his "good customers."

Customer 11 alleged that Dool saved copies of old applications and that is how he got her information for the Senior Life application. The customer reviewed the application and wrote a letter refuting the signature on the application. She wrote that she did not know the payer and that Dool was probably trying to increase his commission for the year by getting the policy on her.

Other customers also refuted the signatures on their applications.

Dool listed his own telephone number as Customer 12's telephone number on an application for insurance. Someone claiming to be Customer 12 called Senior Life from Dool's telephone number and left a voicemail saying everything on the policy was correct, according to LDI's order.

Based on the totality of the information, LDI said, Dool "demonstrated a pattern of behavior that is in direct violation of state insurance regulations."

Transamerica alleges Dool owes the company \$9,991.08 in charge backs, and Senior Life alleges Dool owes \$1,640.06 in charge backs, LDI wrote in the C&D. "According to alleged victims and evidence obtained, your actions have been ongoing for many years," LDI wrote.

According to the order issued to Sias, LDI suspended his license for three months on Jan. 9 and fined his agency, MSJ INS LLC. Subsequently, LDI received two complaints involving his failure to remit premium.

In July, a consumer complained that her premium payment for her Lighthouse Property Insurance Corp. homeowners policy was to be included in her closing costs, and the title company issued a check to the agency for \$1,086 to cover the premium, but the premium was not applied to the policy, according to the C&D order. When the customer attempted to renew the policy, she learned she had no coverage and confirmed with the title company and her mortgage lender that MSJ had been given a check to pay the premium as part of the closing.

In his written response to LDI's queries, Sias admitted there was a lapse in coverage because the check was not submitted and refunded his customer's premium. Sais's failure to remit the premium resulted in a rate increase for his customer. On July 8, MSJ

issued a check to the mortgage company for \$3,617.08 to cover the increased insurance premium, according to LDI's order.

The second complaint occurred in September 2020, when the LDI Division of Insurance Fraud received a complaint from The Groom Room in New Iberia whose mortgage company requires proof of insurance annually.

According to LDI, on Sept. 19, 2019, Sias emailed a document to the loan officer at Community First Bank. The document, titled WrightFloodApplication, had Sias's e-signature and was dated Sept. 17, 2019. The application was not signed by the insured and indicated a balance due for the flood premium.

On Sept. 19, 2019, the bank requested either proof of premium payment or the declaration page as proof of insurance. On

Oct. 10, 2019, the bank sent a second request for proof of insurance. That same day, Sias emailed a document titled Policy Payment Transmittal to representatives of the bank and to the insured. This document showed that MSJ paid Wright National Flood \$1,184 via check for The Groom Room's flood policy. The same day Sias emailed to representatives of the bank and to the insured a copy of what Sias purported to be the declarations page for the flood policy.

Upon receiving the declaration page, the bank representative noticed that the policy period was written as from Sept. 17, 2019, to Sept. 17, 2019. Thinking it was a printing error, Sias was asked to review the policy dates and submit a corrected declaration page. Later that afternoon, the insured emailed a document titled untitled00 to the bank. The second purported declaration

page reflected a policy period from Sept. 17, 2019, to Sept. 17, 2020. Sias never paid the premium, and coverage was never secured, according to LDI. The insured stated to LDI that Sias refunded the flood insurance premium.

FROM PAGE 10

The LDI suspended Sias's licenses effective immediately. Sias has held a property license since May 5, 2017, and a casualty license since June 16, 2017. All of his licenses were suspended, effective Sept. 8, 2020, according to LDI's website.

"Anytime a producer does not abide by the code of conduct set out by Title 22, it is a very serious matter," Donelon said. "I urge any consumers who feel uneasy about any insurance-related transaction to call the LDI Division of Fraud and Enforcement. All callers can request that their involvement be kept confidential."

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LCPIC board approves sending commercial filing to LDI

At its Sept. 10 meeting, the Louisiana Citizens Property Insurance Corp.'s (LCPIC) board of directors voted to approve sending the commercial property rate filing, an overall increase, to the Department of Insurance for approval. Also, because LCPIC's board has not been able to vote since its March 12 meeting, the board voted to approve the following: sending the first and second quarter financials to the Department of Insurance, continuing Round 14 of depopulation, recertifying the 2005 deficit and the 2021 assessment rate. In addition, the board heard about LCPIC's response to Hurricane Laura and LCPIC's financials through the end of July.

The commercial rate filing amounts to an overall average 2.7 percent rate increase. The FAIR Plan's commercial customers will see an average 0.2 percent rate reduction that affects 1,150 policies, and the Coastal Plan's commercial policyholders will get an average 17.7 percent rate increase, affecting 160 policies.

The 160 commercial policyholders whose properties lie below the Gulf Intracoastal Waterway will see their annual premium increase from a current average of \$4,790 to \$5,640, according to LCPIC. In addition, the 1,150 commercial policyholders in the FAIR Plan will see annual premium go from a current average of \$2,840 down to \$2,830.

LCPIC has 1,315 commercial policies with a total insured value of \$457 million.

The primary driver of the indicated rate change in the Coastal Plan, according to LCPIC CEO Richard Newberry, is the limited number of policies in the plan and a

small shift in the mix of business written since the prior review, resulting in a significant increase in the average expected loss from catastrophes.

Included in the rate filing, LCPIC proposed using recently approved ISO loss costs. According to Newberry, the loss costs vary by type of business for Group I premium (covering primarily fire, lightning, and vandalism claims) and a property's location and construction quality for Group II premium (covering primarily wind/hail claims.) ISO loss costs will put more emphasis on location and types of construction.

While the overall impact will be revenue neutral, Newberry told the board, individual policies will see changes, sometimes significant, but rate increases will be capped at 10 percent per year. A little over half of all policies will see a rate decrease, he said.

LCPIC's commercial rate adjustment last year resulted in an overall rate increase of 0.2 percent with a decrease of 3.0 percent in the Coastal Plan and a 0.9 percent rate increase in the FAIR Plan.

LCPIC develops its commercial rates to cover all projected losses and expenses at breakeven.

First, the company compiles its commercial revenues, expenses and non-storm losses. Then, a combination of LCPIC's losses and industry data is used to project future non-storm losses.

Next, expected storm losses are calculated based on a 50/50 blend of RMS and AIR catastrophe models.

LCPIC then compiles the numbers to determine total projected commercial expenses.

The board approved unanimously the

proposal to send the rate filing to the department for approval. The board also voted unanimously that, if the department does not make a change that is plus or minus 0.5 percent, LCPIC can implement the new rates. The new rates will be effective Feb. 1, 2021.

LCPIC's board voted unanimously to approve the first and second quarter 2020 financials presented by LCPIC management and reviewed by the members of the audit committee. LCPIC had already filed the first and second quarter financials with the Department of Insurance.

In his report, Newberry told the board

that the 2020 plan for depopulation is to continue offering take-out opportunities to property insurers and to comply with all aspects of the revised statute.

LCPIC will manage the depopulation process so that the decrease in policies will still be limited for the sustained viability and operational planning of the organization.

For LCPIC, reducing the exposure of the corporation in the most optimal manner possible is a major factor in choosing the policies to offer for depopulation.

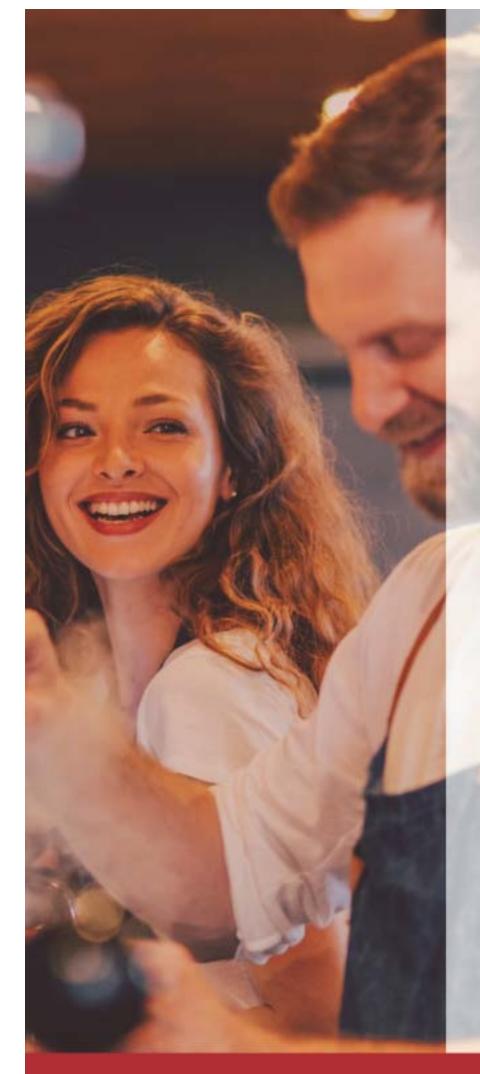
There are two companies signed up for the 2020 depopulation process, SafePoint

See COMMERCIAL RATES Page 14









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FROM PAGE 12

Commercial rates Insurance Company and Southern Fidelity

Insurance Company. Newberry told the board that the authorization portal opens for agents on Oct. 1, 2020, and the system closes to agents and

> As of Sept. 9, LCPIC received 2,268 claims with 94 percent of the claimants being contacted by an adjuster and 61 percent of the properties already inspected.

companies on Oct. 31, 2020. Then, LCPIC will send the assumption notification documents to companies and agents on Nov. 20, 2020, and policyholders have until Feb. 28, 2021, to opt out.

Newberry said that a scientific approach to depopulation allows LCPIC to generate a higher percentage reduction in reinsurance costs relative to the percentage of premium lost. The 102 policies taken out in last year's depopulation resulted in a \$16.9 million reduction in the probable maximum loss, he said.

Again this year, LCPIC will offer 4,000 policies for take out.

The board voted six to four to approve the depopulation plan for 2020.

Newberry reported that as of the end of July 2020, LCPIC has 35,837 policies in force with a total insured value of \$6.94

According to LCPIC's Vice President of Accounting and Finance Joe Sciortino, each year LCPIC has to recertify the current deficit from the 2005 storms. According to Sciortino, LCPIC's deficit from the 2005 Katrina/Rita storms increased by about \$1.64 million to \$1,358,057,776 from 2019's \$1,356,420,776. The deficit certification is performed in-house with a review by LCPIC's auditor as part of the company's annual financial review.

The outstanding debt of the bonds, according to Sciortino, has a balance of \$374 million and is scheduled to be paid off by 2026.

The board voted unanimously to approve the recertification of the 2005 deficit.

Sciortino reported to the board that LCPIC's 2021 assessment rate will be 2.49 percent, a slight decrease from 2020's 2.60 percent.

In making the calculations for the assessment rate, LCPIC uses the previous year's assessable premium for property insurance and the expected debt service costs for the assessment year. The assessable written premium for 2019 was \$2.7 billion, an increase of \$69.4 million, according to Sciortino. The estimated debt service costs for LCPIC for 2021 will be \$66.4 million, according to the Regions Bank bond trustee.

The new rate will be effective Jan. 1, 2021.

The board voted unanimously to approve LCPIC's 2021 assessment rate.

Sciortino updated the board on the financials through the end of July 2020.

He told the board that LCPIC's policyholders' surplus grew from \$186.4 million at the beginning of the year to \$192.4 million at the end of July 2020.

LCPIC's net income at the end of July was \$5.3 million, he said, \$1.59 million more than the \$3.7 million net income that was budgeted for the end of July 2020. The driving force behind the increase, according to Sciortino, is net premium earned which is \$2.0 million more than the \$19.0 million budgeted.

He reported that LCPIC ended July with \$223.95 million in total cash and investments, with \$149.15 million of that amount in operating cash.

Sciortino emphasized that these financials are all pre-Hurricane Laura.

Newberry then gave the board an update

on LCPIC's response to, and results so far from, Hurricane Laura.

Newberry reported that as of Sept. 9, LCPIC received 2,268 claims with 94 percent of the claimants being contacted by an adjuster and 61 percent of the properties already inspected.

He said that LCPIC has approximately 11,000 policies in-force in the wind footprint of Hurricane Laura and that LCPIC has \$560 million in reinsurance with a \$35 million retention.

Newberry opined that, with its cash reserves and reinsurance structure, LCPIC is well positioned financially to handle a sec-



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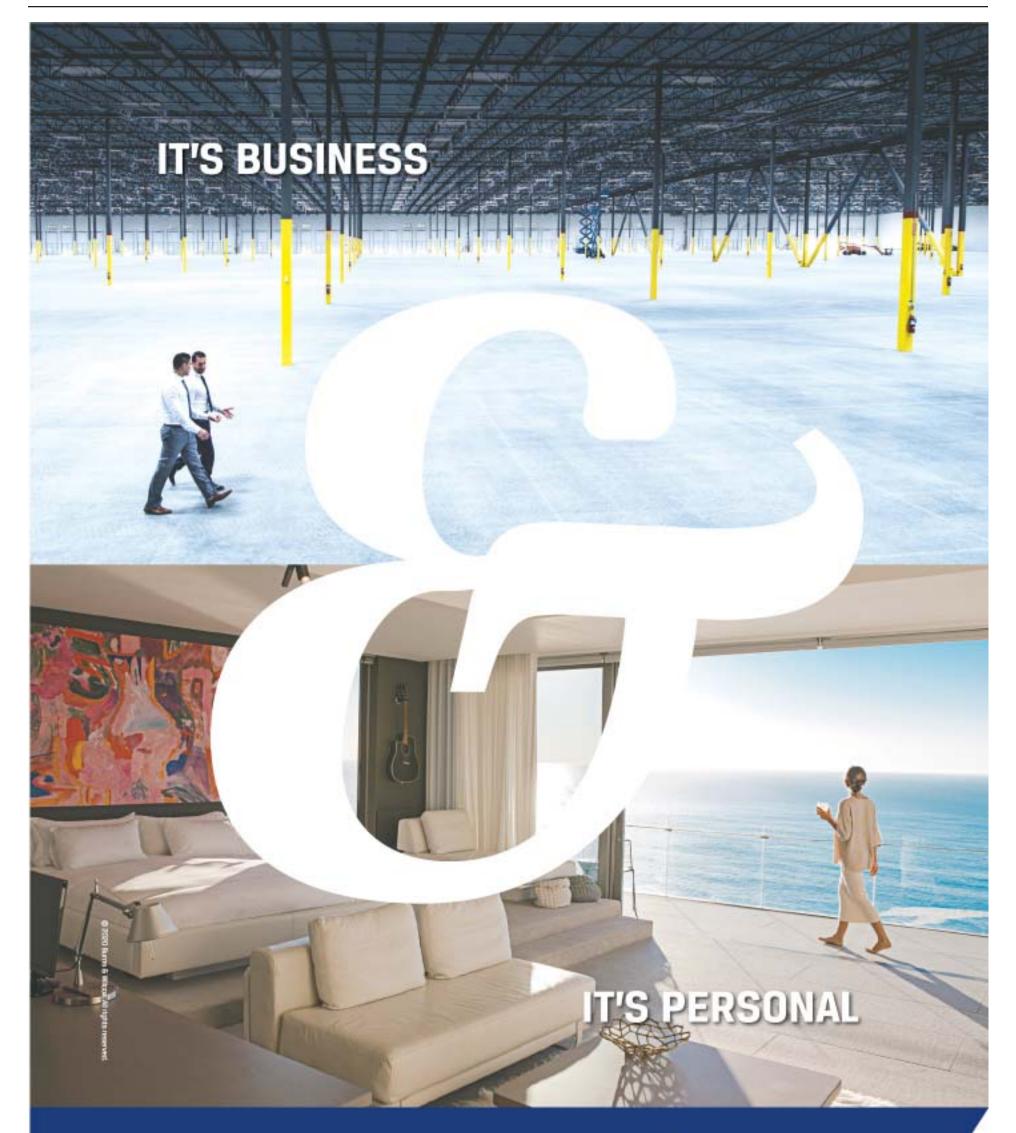
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_loyd's announces half-year losses, coronavirus claims

London Views By LEN WILKINS **London Correspondent**

Lloyd's has announced losses of \$0.52 billion for the half year to date. The market can live with that but will be worried about Lloyd's management's expectation that the market stands to pay out up to \$6.5 billion for COVID-19 customer claims on a gross basis. After reinsurance recoveries of \$2.6 billion, the net cost to the market will be

Lloyd's COVID-19 claims for the half year after reinsurance recoveries added an extra 18.7 percent to the market's combined ratio of 110.4 percent. These figures do not reflect the additional cost of the business

interruption claims currently being fought over in the U.K. courts. Even though a decision has been made favoring policyholders, it surely will be appealed.

What's annoying the market is that, taking COVID claims out of the equation, the market has done well. Excluding COVID-19 losses, the market delivered an underwriting profit of \$1.3 billion. The market's combined ratio showed a significant improvement from 98.8 percent for the first half of last year to 91.7 percent sans pandemic for the first half of 2020. What helped the figures was a 7.1 percent drop in Lloyd's attritional loss ratio, which fell to 52.6 percent. What a difference a year makes; in September 2019 Lloyd's reported a profit of \$3.8 billion for the first half despite underwriting concerns.

Premium income rose 1.7 percent to \$26.0 billion from \$25.6 billion a year earlier. Once foreign exchange movements are removed, overall premium increased by 0.1 percent.

At the same time, investment income suffered from the COVID-19 effect and fell heavily to \$1.17 billion from \$2.99 billion. The improvements that Lloyd's has made to reduce its operating expenses continue, but the expense ratio for the first half dropped only marginally from 38.1 percent to 37.7 percent. Everyone hopes that this figure will continue downward as the Future at Lloyd's program continues.

The good news is that the premium rate increase momentum shown earlier last year has continued. This impetus quickened in the first half of this year, with underwriters achieving average risk adjusted rate increases on renewal business of 8.7 percent. There have been 11 consecutive quarters of positive rate movement according to Lloyd's broker Marsh, with rate increases exceeding Lloyd's plan each month, affecting the vast majority of classes of business and all geographies.

The bad news is these increases were offset by an 8.6 percent decrease in business volume across the market. Some commentators believe this is not a bad thing as it shows the market is focusing on higher quality business that it renews or writes for the first time. Marine and aviation were among the higher

See LONDON VIEWS Page 18

New Orleans attorney named as defendant in a federal RICO suit

A New Orleans attorney, who was referred to only as Attorney A in a federal indictment, and two of the players, who recently pled guilty to staging a series of automobile accidents in order to rip-off insurance companies through fraudulent lawsuits, have been sued in a federal Racketeer Influenced and Corrupt Organizations civil lawsuit.

The RICO lawsuit names accident attorney Daniel "Danny" Patrick Keating along with Damian Labeaud and Mario Solomon, who both recently confessed to being orchestrators of accidents in which people with packed cars intentionally sideswiped 18-wheelers in order to collect money for exaggerated or non-existent injuries.

The federal RICO lawsuit was filed Sept. 1 in the Eastern District of Louisiana by Southeastern Motor Freight Inc. of Jefferson Parish and names Keating, Labeaud and Solomon as defendants. In the lawsuit, Southeastern Motor Freight alleges the defendants conspired to commit intentional staged accidents and fraud.

A New Orleans television station previously identified Keating as the lawyer listed as Attorney A in the federal indictment charging Labeaud, Solomon and six other defendants. The indictment spells out how Keating coordinated with Labeaud before and after accidents, paying Labeaud up to \$1,000 per passenger for staged and legitimate accidents with tractor-trailers.

The RICO lawsuit lays out how Keating, Labeaud and Solomon staged two accidents one week apart in June 2017 and used an SUV to sideswipe a Southeastern Motor

In addition to naming Keating as Attorney A, the 56-page RICO lawsuit names Simone R. Nugent, also of the Simone Keating personal injury law firm, as Attorney B in the indictment.

Neither Keating nor Nugent have been indicted, but court watchers speculate that the RICO lawsuit could be a precursor to a criminal proceeding.

Southeastern Motor Freight is seeking treble damages along with prejudgment interest, costs, expenses and attorney fees.

Keating established, financed, owned, operated and/or participated in the management of law offices presenting the fraudulent claims at issue, the lawsuit alleges.

Keating's involvement includes "conspiring with and paying Damian Labeaud to recruit individuals to knowingly partici-

See RICO LAWSUIT Page 18

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London views

loss-making lines of business, and Lloyd's expects more syndicates to leave the market. However, this does not worry anyone at 1 Lime Street because Lloyd's has a strong pipeline of new applicants.

The market's strong capital and solvency position means it can easily withstand the impact of COVID-19. Figures show the market's net resources increased by 7.2 percent to \$42.64 billion which strengthened Lloyd's balance sheet further, and the central solvency ratio reached 250 percent from 238 percent a year earlier, although this is expected to fall to 200 percent for the second half of the year as COVID-19 losses begin to bite.

John Neal, Lloyd's CEO said, "The first half of 2020 has been an exceptionally challenging period for our people, our customers, and for economies around the world.

The pandemic has inflicted catastrophic societal and economic damage, calling for unparalleled measures to stifle the spread of the virus, and to get businesses and economies back on their feet.

"Our half year results demonstrate that our robust approach to performance management and remediation has begun to take effect, evidenced by a significant turnaround in the underlying performance metrics, which give the truest indication of our market's profitability."

On these figures no one popped a champagne cork. The results aren't good, but they are encouraging. With underwriters worldwide beginning to factor the costs of COVID-19 into their rates, premiums are only going to rise, and that can only be good for Lloyd's.

Marsh reports hardening market

Lloyd's broker Marsh's second quarter report on worldwide insurance rates makes happy reading for insurers and strengthens the case for the hard market. The increase in the second quarter was the largest since the index was launched in 2012 and follows year-over-year average increases of 14 percent in the first quarter of 2020 and 11 percent in the fourth quarter of 2019.

For the second quarter of 2020, the rate increases in global composite insurance pricing and commercial property insurance pricing were both a record 19 percent, driven by the COVID-19 crisis. Global casualty pricing increased by seven percent, and global financial and professional liability rose by 37 percent.

Lloyd's shows losses for 2018 and 2019

Every quarter Lloyd's publishes an update on how its underwriting years are de-

veloping. At the moment, things do not look good; the worst case scenarios for the 2018 underwriting year show a 9.08 percent market loss and a 6.07 percent market loss for the 2019 year of account.

On the worst case figures for the 2018 underwriting year, only one syndicate, Chaucer 1176, shows profit, while one other syndicate expects to break even. The largest losses are with Hiscox Syndicate 6104, which predicts a 55 percent underwriting loss, and Premia 1844, which predicts a 52.51 percent loss.

The mid-case figures suggest a market loss of 6.07 percent, and again, Chaucer predicts a healthy 35.00 percent profit, but five other syndicates hope to be in the black, and one hopes to break even.

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RICO lawsuit

pate in a scheme to stage at least 40 automobile accidents in the New Orleans area in an effort to defraud insurance and trucking companies," wrote the attorney representing the trucking company.

In addition to Labeaud and Solomon, five other defendants in the original federal indictment pled guilty and are cooperating with federal authorities. A second indictment charged 11 additional defendants as participants in accident scams, including another ringleader, Roderick Hickman of Baton Rouge.

The 30-page indictment, filed Aug. 21 spells out how attorneys initially used runners to bring them accident clients for fees ranging from \$500 to \$1,000, but later began participating in the fraudulently staged wrecks.

Louisiana Insurance Commissioner Jim Donelon said this type of accident fraud adds \$600 a year per family in car insurance costs in the state. Donelon said he is hopeful that the growing federal investigation will help lead to lower insurance premiums across the board.

Consumer advocate proposes model law on discrimination

Longtime insurance consumer advocate Birny Birnbaum, director of the Center for Economic Justice, proposed a model law to the National Association of Insurance Commissioners during an online meeting of the Consumer Liaison Committee.

Birnbaum is one of the people with an official designation to speak for consumer interests in NAIC proceedings.

Birnbaum's proposal would define fair and unfair discrimination in insurance; define and ban use of "proxy discrimination against protected classes"; require regulators to monitor for unfair discrimination involving use of data, algorithms, artificial intelligence, and advisory organizations and statistical agents that collect data for insurance organizations.

Birnbaum also proposed creating a Bureau for the Consumer Advocate in each state and funding it through a 10-cent to 25-cent fee on every individual insurance policy issued in the state and on each certificate for a member of a group policy.

The bureau, he said, should have access to all non-public information on each insurance company as is available to the state's regulator.

Birnbaum is the executive director of the Center for Economic Justice in Austin, Texas.



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NEWS IN BRIEF

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sions include Workers' Compensation Ethics and Professionalism, Medicare Second Payer Compliance, Human Resources and COVID-19 issues. For more information, visit lasie.org.

MERGERS/ACQUISITIONS

Chicago-headquartered Hub International Limited announced Sept. 4 that it has acquired the assets of Hollis **Companies LLC and The Employee** Benefits Corporation. Hub International announced Sept. 9 that it has acquired the assets of Todd and Associates LLC, an independently owned agency in Lake Charles. Terms of the transactions were not disclosed. Located in Metairie, TEBC and Hollis Companies are employee benefits consulting firms providing benefits solutions, workplace-wellness plans and guidance on compliance issues to clients. Todd and Associates has more than 100 years of combined experience in the insurance industry. Shaun Norris, president of Hub Gulf South trumpeted the acquisitions as expanding Hub Gulf South's footprint across the Gulf South.

FINANCIAL

HomeBuilders Self Insurers Fund has surpassed \$100 million in dividend payments to its qualifying members. "As a self-insured fund, nothing speaks more to our strength and stability than our ability to distribute dividends to our members year after year," said Chris **Duncan**, CFO/COO of HomeBuilders. This milestone represents more than just a number; it exemplifies the commitment to teamwork and trust between HomeBuilders and its members. "Achieving this goal is a concrete sign of how everything is working together. When you combine our expertise in the area of workers' compensation and our members' commitment to working with us on loss control, we can achieve some pretty incredible things," added Michael Morris, CEO of HomeBuilders.

London views

The best case figures predict a market loss, but down to 3.07 percent, with Chaucer expecting a 40.00 percent profit. Fourteen other syndicates hope to declare underwriting profits, but only one of these is in double digits. At least the loss making syndicates can comfort themselves by reading Marsh's forecasts of increased rates.

Things are better for the 2019 underwriting year. On the worst case scenario six syndicates expect to be in the black, and four predict a breakeven. Chaucer's 1176 leads the pack with an expected 10.00 percent profit. The 22 loss making syndicates are led by Hiscox 6104 with a projected 40.50 percent underwriting loss.

The mid-case figure for the market is a 2.74 percent underwriting loss, with 17 syndicates in the black and one at breakeven. There is a new profit leader with MAP's Syndicate 6103 expecting a 25.00 percent return. Thirteen syndicates predict losses; with Hiscox's 6104 at

35.50 percent, the largest.

With the best case figure, the market at last has a profit, a modest 0.59 percent. Twenty-two syndicates forecast profits ranging from 0.14 percent to MAP's Syndicate 6103, which expects an underwriting profit of 33.50 percent. Seven syndicates predict underwriting losses, and Hiscox expects a loss of 30.50 percent.

Reinsurance conferences canceled

Usually at this time of year, the reinsurance world meets at Monte Carlo Rendez-Vous de Septembre to discuss renewal terms for the following season, and then comes the Baden Baden conference, where the deals are made. Unfortunately, the 64th annual Rendez-Vous and Baden Baden were among the many victims of the pandemic. Both conferences are difficult to duplicate digitally and were canceled. The conference sessions can be replaced by web conferences, but there is no replicating the quiet drinks or dinners with clients

or with fellow reinsurers.

With the renewal season still coming up, reinsurers and brokers are forced to use other ways, such as Zoom and Microsoft Teams, to communicate with each other and their clients. There is a lot to discuss – reinsurers have seen large rate increases in the primary market and will now want some of that action for themselves. With the last major renewal season being mid-year, so far, reinsurance rate increases have been modest, but this may be about to change.

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With digital communications, it's going to be more difficult for brokers to get a feel for how bullish reinsurers are, but brokers are confident they can stay on top of things via the internet, telephone and emails. One thing is certain: The insurance and reinsurance press will be more carefully scrutinized than ever as the information flow dries up.

If the brokers were talking to reinsurers

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"The best way to predict the future is to create it." Peter Drucker

London views

at Monte Carlo, they would learn that reinsurers believe rate increases are insufficient. Thierry Léger, group chief underwriting officer at Swiss Re AG, recently told journalists that this year's rate increases hardly cover companies' lost interest rates. Reinsurers have seen premiums fall, while catastrophe exposure increases. On top of that, reinsurers have to pay their share of COVID-19 losses. Swiss Re believes its share of COVID-19 losses will be at least \$20 billion, and for reinsurers generally, the final bill could hit \$80 billion.

Lloyd's reopens at 45 percent capacity

For the first time since March, Lloyd's reopened the underwriting room. Admittedly, only hundreds, instead of the thousands who normally work at 1 Lime Street, crowded into the building on Sept. 1, but it was a start.

Lloyd's said its number one priority is allowing the market and the Lloyd's community to connect and collaborate safely and productively. There are new rules and regulations to make sure everyone stays safe. The underwriting room looks a little different from when it was closed.

U.K. government social distancing rules require people to stay two meters apart where possible. This is difficult when workers sit next to each other, so things have to change, which means people in the market cannot return all together. To solve this problem, Lloyd's organized a business class rota. Monday is reserved for financial and professional lines and third-party casualty placements, both direct business and facultative reinsurance. Tuesday is reserved for property, terrorism, construction, again both direct and facultative reinsurance. Wednes-

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day is mariners' day, when marine, aviation and transit business can be transacted. Treaty reinsurers have to wait until Thursday to access the underwriting room, where they will be joined by the underwriters and brokers who place kidnap and ransom, accident and health, political risk, bloodstock, and energy insurance and reinsurance.

The rest of the time brokers and underwriters will have to go back to communicating digitally, apart from Friday, when the room will be open for all classes of business. Over 12,000 transactions were completed and bound in June, so the simpler risks will be placed digitally, and the more complex risks will be traded traditionally face-to-face in the underwriting room.

The emergency trading protocols Lloyd's set in place to supplement face-to-face and electronic trading continue. They will stay in force for a period of time as yet undefined, while Lloyd's gets a better understanding of the market's requirements and how to support non-face-to-face trading throughout the continuing period of disruption.

With only 45 percent of the market operating, Lloyd's suggests that all brokers book appointments for face-to-face trading. Not all underwriters will want to trade in the room, especially if they are in the atrisk-group of older people or anyone with an underlying medical condition.

So, it's all systems go for the brave new world of Lloyd's, but with one missing ingredient. Lloyd's, synonymous with coffee, no longer has an operating coffee shop. The shop is being used for the digital booths,

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London views

and brokers and underwriters can only get a takeout. Costa and Starbucks must be rubbing their hands with glee.

Lloyd's appoints new head of U.S. claims

With U.S. business becoming more and more important, Lloyd's has strengthened its U.S. claims team by appointing Carey Bond as U.S. head of claims. Bond assumes this newly created role as part of the Future at Lloyd's strategy. He will collaborate with London brokers and underwriters on the design and delivery of claim solutions for policyholders in Lloyd's largest market to

improve the U.S./Lloyd's relationships.

Bond joins Lloyd's from Canal Insurance Company. He has more than two decades of claims management experience with a strong background in improving operational efficiencies at several insurance companies. Prior to that, he was the director of claims at Access Corporate Services and served as corporate auto property damage manager at American Independent Companies.

A graduate of the University of Tennessee, Bond served in the U.S. Army as a se-

QBE announced the departure of CEO after complaint lodged

Australia-headquartered QBE Insurance Group has announced that its CEO, Pat Regan, is to leave the company following a complaint from a female employee and the outcome of a subsequent external investigation into workplace communications, several news organizations reported Aug. 31 and Sept. 1.

The investigation led the QBE board of directors to conclude that Regan had not met the standards of QBE's code of ethics and conduct.

Reports indicate that a woman in QBE's North American division made the complaint which led to the investigation conducted by a large Australian law firm. Later, QBE confirmed that the complaint about Regan came from a female employee in the United States.

Word is that the female complainant has hired an attorney, and that she resigned about the same time as her complaint was lodged.

In a way, Regan was gored by his own ox. In 2019, he oversaw an update of QBE's code of ethics and conduct, which among other things, promoted a speak-up culture. His noncompliance led to his ouster.

Details of Regan's transgression and the consequent legal findings remain under wraps; however, The Sydney Morning Herald reported that the financial penalty to Regan was hefty. While he received over \$300,000 in severance, he leaves a position that last year earned him \$4.4 million. Also lost to Regan were share rights estimated to be worth up to \$10 million.

Going forward, Mike Wilkins will as-

sume the role of executive chairman, taking day-to-day oversight of QBE during the search for a new CEO.

Previously with British insurer Aviva, Regan joined QBE in 2014 as group CFO and was appointed to the role of CEO, Australian and New Zealand operations in 2016. Regan was appointed CEO in January 2018, replacing John Neal, who had his pay docked by \$550,000 in 2016 for failing to tell the board he was in a relationship with his secretary. Neal has since become CEO of Lloyd's.

When Regan took over, QBE had operations all over the world, in both advancing and emerging markets. Regan set about trimming down the company. He pulled QBE out of Asian and Latin American markets where damage from increasingly frequent extreme weather events posed too great a risk.

His strategy won him praise, and he was viewed as steering the company into safer waters, according to news sources.

In commenting on the board's decision, Wilkins said, "We are committed to having a respectful and inclusive environment for everyone at QBE. The board concluded that (Regan) had exercised poor judgment in this regard."

Wilkins thanked Regan for his service by saying, "While these are challenging circumstances, the board recognizes and thanks Mr. Regan for his hard work and contribution to strengthening QBE. How-

See QBE CEO Page 24

nior military advisor in Iraq during Operation Iraqi Freedom and in Afghanistan during Operation Enduring Freedom, leaving the reserves with the rank of lieutenant colonel in 2011.

In his new role, Bond will report to Hank Watkins, regional director and president of Lloyd's, Americas, and Phil Godwin,

Lloyd's head of claims in London. Based in Greenville, South Carolina, Bond will be responsible for overseeing U.S. claims processing across the Lloyd's market, with a goal of improving outcomes and customer experience. His immediate priorities will be to provide support for Lloyd's customers through the U.S. hurricane season.

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AM Best's outlook for reinsurance sector is stable

While other rating agencies continue to rate the global reinsurance market's outlook as negative, at the end of 2018, AM Best changed its view of the reinsurance market segment to stable from the negative outlook it had held between 2014 and 2018. As Best sees it there are negative and positive forces

in the market that offset each other.

AM Best explained the battling negative and positive forces in its Market Segment Report titled Global Reinsurers Maintain Equilibrium through COVID-19 Turbulence, which was released Sept. 2.

Negative factors include increased un-

certainty on claims reserve development associated with previous years' property catastrophe events; social inflation, and more recently, business interruption and casualty lines related to COVID-19. Combined with an overcapitalized sector, these factors have translated into reinsurance companies struggling to meet their cost of capital.

On the positive side, reinsurance renewals during the first half of 2020 started to show strong momentum, with clear signs of a hardening market. All of which is reinforced by third-party capital providers reassessing their role in the industry after being affected by loss creep, trapped capital and a perceived higher risk as a result of discrepancies between actual and modeled claims experience.

In August, AM Best organized a webinar for which a panel of experts came together to discuss the reinsurance market. Best's coverage of the panelists' discussion is five pages of the 89-page Market Segment Report.

AM Best's Meg Green moderated the panel, which featured Carlos Wong-Fupuy, senior director of Global Reinsurance Ratings, AM Best; Scott Mangan, associate director, Global Reinsurance, AM Best; Silke Sehm, executive member of the board, Hannover Re, and Jonathan Isherwood, CEO of Reinsurance Americas, Swiss Re.

Wong-Fupuy led off the panel by saying that Best's stable outlook on the reinsurance segment does not mean nothing changed. To make his point, he described a number of developments, both positive and negative, in the past year.

He attributed Best's negative outlook between 2014 and 2018 to excess capacity. "Excess capacity from traditional capital and a continued influx from third-party capital providers were pressuring rates," he said. "The result was soft market conditions, low investment returns and companies struggling to meet their cost of capital."

According to Wong-Fupuy, AM Best changed the outlook to stable at the end of 2018 because things were stabilizing, albeit at a lower level. "Expectations for return on equity were definitely lower than what historical trends would have suggested," he said.

Over the past three years, Wong-Fupuy pointed out, claims activity has increased. Natural catastrophes have caused third-party capital to look at insurance risks more closely. Their skepticism is not just about losses. Concerns relative to loss creep and trapped capital emerged.

Wong-Fupuy noted that the situation is complicated with COVID-19 increasing the expectation of an improvement in pricing on the one hand, while there is concern about claims on the other hand.

Despite the stable outlook, Wong-Fupuy believes that all companies will not respond the same; their differences will be exacerbated.

Mangan speculated that it could take a while for reinsurers to flush off their balance sheets and take advantage of rising rates. He is not sure that anyone knows what COVID-19 losses will look like, but they could affect companies' ratings. Market conditions, he said, will affect companies differently, and he's not sure what rating action will be taken.

Despite the stable outlook, Mangan said, some reinsurers may not be able to weather the conditions because of lagging Enterprise Risk Management practices, business profile, capitalization or operating performance.

Hardening market brings new money

Sehm said, "We definitely see capital flowing into the reinsurance space." She added, "New money has been coming in to start new reinsurance companies." According to Sehm, the number being mentioned is about \$4 billion in comparison to the Bermudan class of new companies after the 2005 hurricanes, which was around \$5 billion, and the class of 2001 after the attacks on the World Trade Center, which was \$8 billion.

"Clearly, there is a change in rates," Isherwood said, which accelerated through the first half of the year, from January through June/July renewals and across most lines.

According to Isherwood, there is a lot of capital looking at returns for the last few years that don't meet expectations.

At this time, Mangan opined, specialty

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Reinsurance sector

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and E&S type business seems to have a lot of the momentum going forward.

Wong-Fupuy said that companies need to recover from underperformance, adding that the settlement process for losses is taking longer than expected. Property catastrophe risks have a tail because of loss creep, which affects reinsurers' ability to swiftly enter and exit the market. Even if there is not a dramatic decline in availability of third-party capital, growth could slow down and investors become more selective.

Isherwood said there has been some retrenchment. Those set up to generate asset returns were not so successful. He pointed out that 2018 was "the worst typhoon year ever," and it was followed by 2019, which was "even worse."

Wong-Fupuy said that companies required return has increased and that there are risk tranches in which the return "may not be met." He observed that new capital is mainly coming from traditional capital providers.

Panelists indicated that escalating reinsurance pricing is not being driven by capital depletion as it was in 2001 and 2005, when capital depletion resulted in widespread market hardening.

Mangan opined that underwriting discipline is the key to this hardening market, in contrast to hard markets in the past. He is not certain that the market hardening is as widespread as it was in 2001, and to some extent, 2005.

He explained that the underlying mechanics of the current hardening market are different. This time around, there is uncertainty relative to COVID-19, and there is uncertainty about the investment environment going forward. Supply and demand issues are not driving the rates up, market uncertainty is.

Previously, there was a capital void; existing market participants were not deploying capital. The difference is that, now, the industry is very well capitalized; to some extent, there is excess capacity.

Are rate increases sustainable?

Sehm believes the rate increases are sustainable for the next two years because of uncertainty regarding COVID-19, which "means a lot of fuel for further rate increases."

Amid the volatility and uncertainty, Sehm said, highly rated reinsurers have value again.

Wong-Fupuy agreed, saying, "There is a flight to quality, so there is value in being highly rated."

For his part, Isherwood said, "It is a different environment in many different ways. Each marketplace is slightly nuanced. ... We're on the tail end of many years of market softening. That is not just rates, but also terms and conditions." Isherwood believes there is a "fundamentally different" yield environment, which is the lowest it has ever been. Considering the metrics, he said, "there is no chance to rely on the asset side

of the balance sheet over the next few years.

Interest rates effect on pricing

There was general agreement among the panelists that interest rates have been lower for longer and probably will continue low.

Sehm said that low interest rates are only part of reinsurers' pricing measure. There may be reinsurers trying to mitigate lower return on equity by investing more aggressively, but Hannover Re is prudent and sticks to asset and liability management principles.

In many ways, Isherwood said, the low yield environment could be the longest lasting legacy out of COVID-19. He believes there is not an easy fix on the asset side without significant risk or capital issues. As of 2018, U.S. 10-year yields were close to 3.0 percent and are currently just over 0.5 percent.

Isherwood explained that, on a blended casualty book when comparing the combined ratio to yield, it turns out that it takes a two percent improvement in the combined ratio for a one percent increase in the return on equity.

He mentioned other factors that affect the momentum for casualty rates, including pricing uncertainty, tail volatility and social inflation. In this environment, casualty needs to be priced like a short-tail volatile line. "That's fundamentally different than in the past."

From a rating agency perspective, Mangan said, investment risk consumes capital. If a reinsurer is holding capital to

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Reinsurance sector

support riskier investments, that capital is not available for underwriting without it affecting AM Best's assessment of balance sheet strength.

Agreeing with Mangan, Wong-Fupuy said it is not all about rates. Reinsurers need to keep an eye on limits and the terms and conditions, which may not have been as tight in previous cycles. He said reinsurers have no option but to pay attention to underwriting.

Reserve releases affect bottom line

Turning the topic to the consistent decline in the benefit of reserve releases, Wong-Fupuy said companies are struggling to meet their cost of capital, and not being able to rely on favorable loss reserve developments just adds to the pressure.

Mangan said that about half of ROE, going back, is attributable to reserve releases. He pointed out that the "low interest rate environment can translate into lower cost of capital, but it is not an offset" for investment returns.

Remarking that reinsurance has been coming off a softening cycle, Isherwood observed that reserving and the yield environment are coming together with other factors, leaving no option but to focus on underwriting.

Aside from underwriting and investment, Mangan said the only "other lever to pull" is on the expense side. "Technology has gone a long way to help in that area," he said, and it's probably an area on which, going forward, companies will have to focus "in order to help get those combined ratios to more reasonable levels."

COVID-19 is uninsurable

The panelists agreed that the nature of a pandemic risk makes it non-insurable. They see the need for some public-private partnership to help economies become more resistant to such risk.

Mangan is "not sure there is the appetite for the industry to underwrite COVID." He and other panelists agree the insurance industry cannot diversify away pandemic risk.

stry cannot diversity away pandemic risk.

The insurance industry can only play a

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limited role due to capacity restraints and the systemic nature of the risk, Sehm explained, but Isherwood believes there is a role for the insurance industry to play given its experience in risk management and claims assessment. If government takes the bulk of the risk and reinsurance a small piece, Isherwood said, it could work.

Should a second wave of COVID-19 or other large catastrophe occur, Sehm said "2020 could well become one of the costliest years for the industry. Still, capacity is very strong as the industry entered the pandemic with strong balance sheets, very strong ratings and regulatory regimes ... which emphasize risk management and stress testing."

QBE CEO

ever, all employees must be held to the same standards."

Wilkins continued, "While COVID-19 has created significant challenges, QBE is successfully navigating this period of uncertainty, and the group's demonstrable financial strength positions us well to capitalize on accelerating pricing momentum and emerging organic growth opportunities."

COVID-19 losses have already neared the attachment point of QBE's aggregate reinsurance cover, and the company expects that any business interruption claims from the pandemic will be covered by its reinsurance, Reinsurance News reported.

QBE posted a \$510 million loss for the first half of 2020, driven by underwriting impacts from COVID-19, large catastrophe losses and a poor investment performance, according to Reinsurance News.

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Nonetheless, Wilkins said he remains optimistic about QBE's financial prospects despite the disruption a change in leadership will bring.

A financial analyst told The Guardian's Australia edition that a new CEO would probably write down QBE's assets.

"What often happens when a new CEO is appointed, and particularly in the case of an external appointment, a very vigorous approach is taken to provisioning and expected levels of future profits," the analyst said.

The QBE board will put in place additional initiatives in the coming weeks to further develop an inclusive culture at QBE, beginning with a board-sponsored and externally-supported culture review and the creation of an additional avenue for employees to safely raise concerns and receive support that will supplement existing channels.



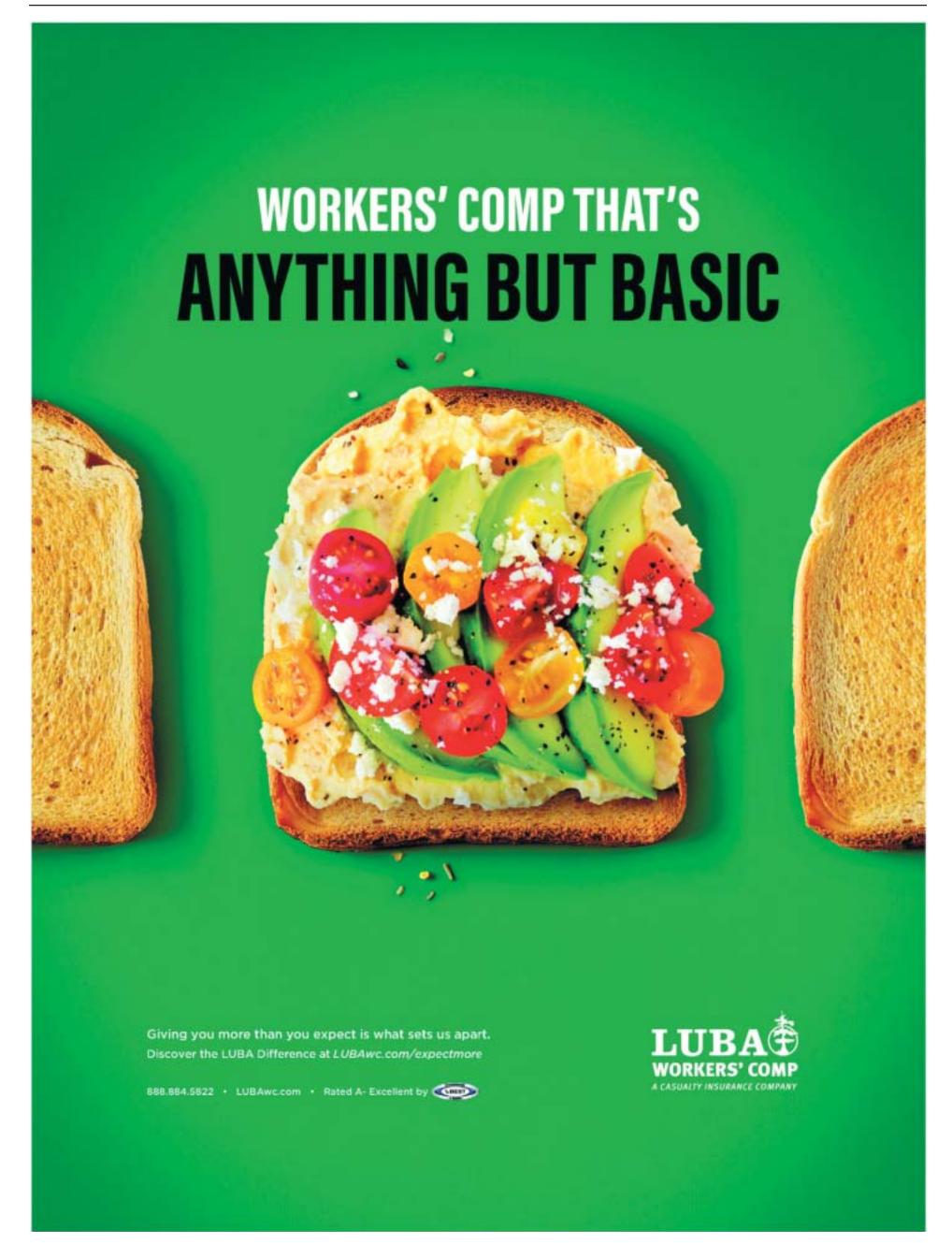
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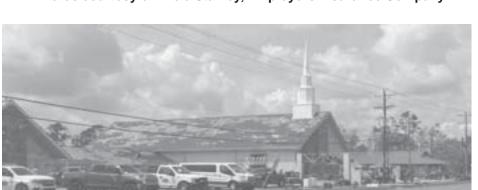








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