



Louisiana Department of Insurance

LOUISIANA PROPERTY & CASUALTY INSURANCE COMMISSION



Terrell B. Moss, Director

James J. Donelon
Commissioner of Insurance

MONTHLY REPORT

Volume 15, Issue 1-2
January/February 2015

Members

Commissioner Jim Donelon
Louis G. Fey, Jr., Chair
Jeff Albright, Vice Chair
Ray Aleman, Jr.
Lee Ann Alexander
J.E. Brignac, Jr.
Paul Buffone
Stephen F. Campbell
Sheriff Greg Champagne
Representative Greg Cromer
Julius W. "Will" Grubbs, Jr.
Michael Guy
Chris Haik
Lance "Wes" Hataway
Ron Henderson
Senator Ronnie Johns
Scott Landry
LTC John A. LeBlanc
Ann Metrailler
Robert Moorman
Senator Dan "Blade" Morrish
Frank Opelka
Representative Kirk Talbot
Earl Taylor

Staff

Terrell B. Moss, Director

David Evans,
Supervisor/Research Analyst

If you no longer wish to receive
this newsletter please send an
email to the following address
with "REMOVE" in the subject line.
devans@ldi.la.gov

Transportation Network Companies Addressed by the LPCIC

The Louisiana Property and Casualty Insurance Commission (LPCIC) held a meeting in January to discuss Transportation Network Companies, most commonly referred to as "TNCs."

Speaking to the group was Joe Woods, Vice President, State Government Relations with the Property Casualty Insurers Association of America and Curtis Scott, Senior Counsel with Uber Technologies, Inc.

TNCs have been a "hot topic" this year and many states are formulating legislation to regulate these companies, such as Uber and Lyft, that allow drivers to use mobile applications to pick up passengers. The insurance implications can be confusing and complex. Reporting and presentations were centered on coverage gaps that may exist between the driver's personal passenger auto insurance and the commercial auto insurance necessary to transport passengers for hire.

Everyone agrees that once a passenger is picked up, commercial insurance must be in place. The greatest area of contention is the time period between the driver turning on the mobile application and a passenger entering the vehicle.



Curtis Scott - Senior Counsel with Uber
Technologies, Inc.



Joe Woods - Vice President, State Government Relations with the Property Casualty Insurers Association of America (PCI)



L to R: Lou Fey, PIA Representative and Chair of LPCIC; Wanda Freedman, Government Relations Specialist, Jones Walker LLP; Senator Dan Morrish, Senate Committee on Insurance Chair and LPCIC member; Curtis Scott, Senior Counsel with Uber Technologies

NAIC Group Developing White Paper on TNC Dilemmas

The National Association of Insurance Commissioners has formed a panel to work on a white paper in order to help states address TNC issues, mainly the gap in automobile insurance coverage. It may be some time before the white paper will be released, but those involved plan to discuss and approve it for further action at the NAIC Spring National Meeting in Phoenix in late March.

The group was brought together by the insurance commissioners in California and Colorado after receiving questions about their ridesharing laws from other regulators. The panel is charged with deciding on whether to offer a guidance document or a model bulletin for states to follow. The white

paper should provide legislators and regulators with a good grounding in the issues to help them deal with what will be unique circumstances in every state.

The white paper makes suggestions to address gap coverage issues, including:

- A review of established insurance options,
- Full coverage on a full-time basis purchased by driver or company,
- Creating a hybrid of coverage between the TNC and the personal auto policy.

Many lawmakers were dealing with this issue in 2014 and many expect it to be prominent in 2015 particularly in South Carolina, Maryland, Delaware, North Carolina and Georgia.

The Property Casualty Insurers Association of America, the National Association of Mutual Insurance Companies, the American Insurance Association, along with State Farm and Allstate have created template legislation for legislators to consider.

Auto Insurance Rates: A Look in the Mirror

Traditionally, the new year is a time to reflect upon the past and resolve to do those things that improve prospects for the future. Louisiana motorists who are weary of paying burdensome auto insurance premiums might be discomforted by two compilations of data released in December by the National Association of Insurance Commissioners (NAIC): the "2011/2012 Auto Insurance Database Report" and the "Report on Profitability By Line By State in 2013."

So what do the NAIC numbers reveal about us? In Louisiana in 2012, we motorists paid an average premium that ranked us the 6th highest in the nation for liability coverage, 2nd highest for collision coverage, and 6th highest for comprehensive coverage to insure our personal vehicles. When you add these averages together you get the average premium for "full" coverage, which ranked us 3rd highest in the country. The table below provides a more detailed look at the three most recent years of NAIC data and some evidence of improvement in Louisiana, yet how far we still have to go:

YEAR	Average Premium for	Liability +	Collision +	Comprehensive	= "Full" Coverage
2012	<i>Countrywide</i>	\$503.88	\$289.66	\$134.04	\$927.58
	Louisiana (Rank)	\$698.21 (6)	\$372.20 (2)	\$204.69 (6)	\$1,275.10 (3)
2011	<i>Countrywide</i>	\$492.57	\$286.41	\$132.78	\$911.76
	Louisiana (Rank)	\$687.56 (5)	\$386.31 (2)	\$207.68 (4)	\$1,281.55 (2)
2010 *	<i>Countrywide</i>	\$484.39	\$290.63	\$133.08	\$908.10
	Louisiana (Rank)	\$684.89 (5)	\$398.56 (2)	\$211.44 (3)	\$1,294.89 (1)

*NOTE: In Louisiana in 2010, compulsory minimum liability limits increased from 10/20/10 to 15/30/25.

One might think that the insurance companies are making a handsome profit in Louisiana with the high average premiums that we are paying to cover our personal vehicles. However, the most recent NAIC data tells a much different story. In 2013, it cost insurance companies as a whole 11.7% more to settle private passenger auto claims than premium earned in our state. The national average for 2013 also showed that claims settlement expense exceeded premium earned, but by a lesser 3.4%. However, when all insurance company income and expense (i.e., return on net worth) is considered for private passenger auto coverage in 2013, there was a 4.2% gain nationally, but a 2.1% loss in Louisiana. In other words, on average in 2013 for every \$1 an insurance company took in, the company spent over \$1.02 to operate in Louisiana.

Of course, insurance company profits fluctuate from year to year in Louisiana and nationally, as well. However, *Auto Insurance Report's* analysis (published in its January 12, 2015 edition) of NAIC data indicated that for the 10-year period from 2004 to 2013, Louisiana was the second least profitable state in the union for insurers writing private passenger auto coverage.

So we are paying, on average, a high premium for auto insurance, but the auto insurers, as a group, are not making much of a profit. Where is the money going?

Claims expense is the principal driver of rates. For example, take a closer look at claims made against liability insurance - the coverage that state law requires us to have as motorists and vehicle owners for

the damages that we may cause others. The table below consists of the most recent NAIC data on how often we file claims (frequency) and the average of what it costs to settle those claims (severity) for the bodily injury and property damage components of private passenger auto liability insurance:

YEAR	Claims for	Bodily Injury - Liability		Property Damage - Liability	
		Frequency	Severity	Frequency	Severity
2011	<i>Countrywide w/o TX</i>	1.01	\$14,953.73	3.91	\$2,976.13
	Louisiana (Rank)	2.15 (2)	\$13,404.21 (36)	4.66 (8)	\$3,477.12 (2)
2010 *	<i>Countrywide w/o TX</i>	1.03	\$14,810.29	3.89	\$2,917.02
	Louisiana (Rank)	2.15 (1)	\$12,960.71 (37)	4.66 (7)	\$3,343.57 (2)
2009	<i>Countrywide w/o TX</i>	1.01	\$14,491.75	3.83	\$2,871.58
	Louisiana (Rank)	2.24 (1)	\$11,726.01 (39)	4.74 (7)	\$3,250.72 (3)

*NOTE: In Louisiana in 2010, compulsory minimum liability limits increased from 10/20/10 to 15/30/25.

Notice that the frequency and severity of our property damage liability claims is definitely high, but it is the frequency of our bodily injury liability claims that really sets us apart in Louisiana - more than twice the national average.

While the LPCIC has and will continue to examine and recommend ways to address the affordability of auto insurance through changes in our laws, it is our driving behavior that remains the core problem. Reduce crashes, in order to reduce injuries and deaths, to reduce claims, to ultimately reduce insurance company expense and the premiums we pay.

Please:

- * Do use your seatbelts,
- * Don't drive aggressively or distracted, and
- * Don't drink and drive.

Stay Connected with the LDI

Keep up with tips and news from the LDI, including newsletters, press releases and videos, by connecting with us through social media.



[Like](#)



[Follow](#)



[Subscribe](#)



[Connect](#)