

Trends and Insights: Louisiana Insurance Market

More Reforms Needed to Stem Legal System Abuse

Reforms put in place in 2024 are a positive move toward repairing Louisiana's insurance market, which has long suffered from excessive claims litigation and attorney involvement that drive up costs and, ultimately, premium rates. But more work is needed.

Research by the [Insurance Research Council](#) (IRC) – like Triple-I, an affiliate of [The Institutes](#) – shows Louisiana to be among the least affordable states for both personal auto and homeowners insurance. In 2022, the average annual premium expenditure per vehicle in Louisiana was \$1,588, which is nearly 40 percent above the national average and nearly double that of the lowest-cost Southern state of North Carolina (\$840), IRC said.

Louisianans also pay significantly more for homeowners coverage than the rest of the nation, with an average annual expenditure of \$2,178. This is among the highest in the country, representing 3.81 percent of the median household income in the state – 54 percent above the national average.

“The state has faced multiple major weather events, with extensive litigation following each natural disaster,” IRC reported. “Rising auto-repair and construction costs, as well as the state’s relatively low household income, have compounded these issues.”

Combined ratios for writers of homeowners coverage in Louisiana soared in 2020 and 2021, due primarily to hurricane-related losses. The largest property loss events in those years were Hurricane Laura (2020) and Hurricane Ida (2021). Combined ratio – the most

common measure of insurer underwriting profitability – represents the difference between claims and expenses paid and premiums collected. A ratio below 100 shows an underwriting profit; one above 100 shows a loss.

Homeowners insurance combined ratios in Louisiana have improved in the past two years, performing better than its neighbors and the national market. But, as the chart below shows, the market is hardly out of the woods. While the improvements in 2022 and 2023 are welcome, homeowners insurers in the state would have to average a combined ratio of 85 for more than two decades to offset the 2021 ratio of 457.

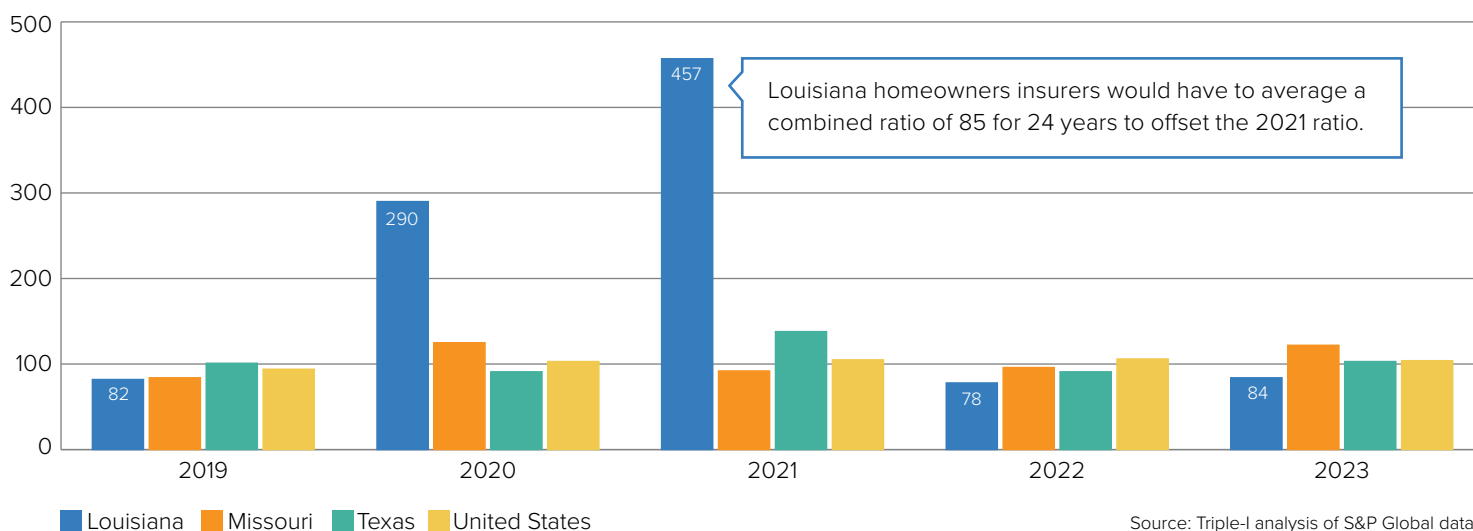
The growing volume of losses also drove more than a dozen insurers to withdraw from the market and more than 50 to stop writing new business in hurricane-prone parishes.

Legislation targets the crisis

Louisiana Insurance Commissioner Tim Temple has championed a series of legislative changes that [he has said](#) will encourage insurers to return to Louisiana, especially in hurricane-prone areas.

“There are fewer companies willing to write property insurance in Louisiana, and that’s a lot of what our legislation is designed to do,” Temple said. “To help promote Louisiana and change the marketplace so that companies feel like they are going to be treated fairly.”

Direct combined ratios for homeowners insurance writers in each state



In June 2024, Gov. Landry signed into law [S.B. 355](#), which puts limitations on third-party litigation funding (TPLF) – a practice in which investors, with no stake in claims apart from potentially lucrative settlements, fund lawsuits aimed at entities perceived as having deep pockets. TPLF drives up claims costs and delays settlements, which end up being passed along to consumers in the form of higher premiums.

S.B. 355 increases transparency and oversight of TPLF agreements in all civil cases before Louisiana courts, including when a funder has the right to receive sensitive information that impacts national security. It also bars funders from controlling lawsuits in Louisiana and prevents hostile funding by foreign powers.

“Hostile foreign nations and sovereign wealth funds associated with hostile governments will no longer interfere in our justice system,” said State Sen. Jeremy Stine, who introduced the bill, which was passed unanimously by the state Senate before going to Landry for his signature.

This progress was undermined when [Landry vetoed H.B. 423](#), which would have reformed the state’s “collateral source doctrine” that allows civil juries to have access to the “sticker price” of medical bills and the amount actually paid by the insurance company.

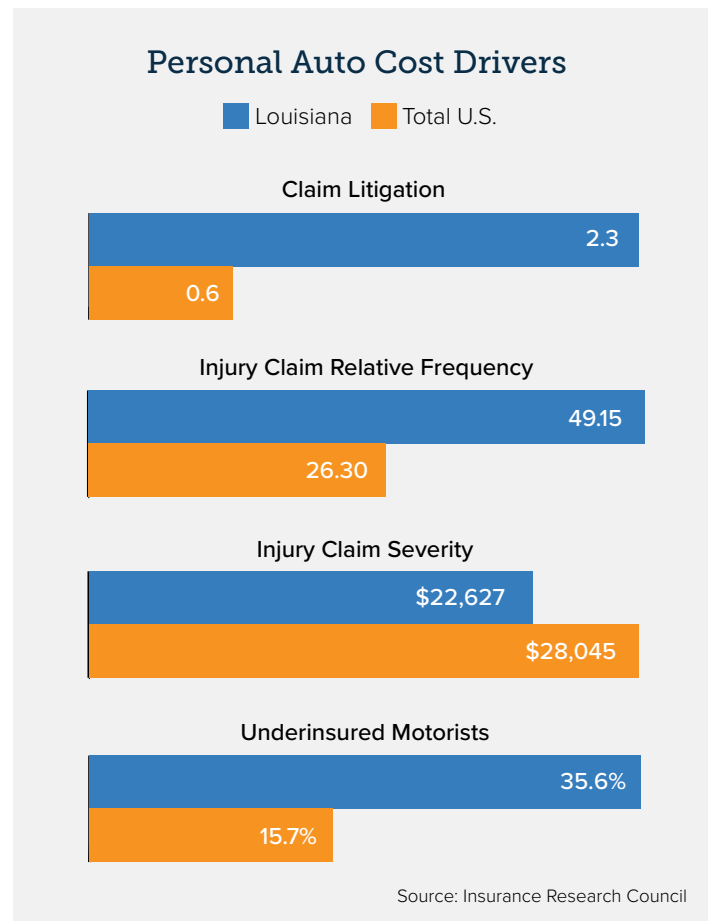
“In addition to creating more transparency and helping lower insurance rates, this bill would have brought more fairness and balance to our civil justice system,” said Lana Venable, director of Louisiana Lawsuit Abuse Watch in a statement regarding the veto. “Lawsuit abuse does not discriminate – everyone pays the price when the resulting costs are passed down to all of us.”

Personal auto under stress

Recent hearings by the Louisiana Legislature highlighted the fact that the state has the second-highest vehicle insurance rates in the nation, below only litigation-laden Florida. In testimony before the Legislature, Dale Porfilio – Triple-I’s chief insurance officer and president of the IRC – pointed out that:

- Louisiana citizens pay 2.7 percent of their income on average per car, per year, with nearly 50 percent going toward coverage for injuries, rather than car repairs.
- 1.3 percent of average household income is spent on coverage for auto injuries in Louisiana, compared to 0.6 percent nationwide.
- The relative injury claim frequency in Louisiana is nearly double the national average, with 49 percent of accidents resulting in bodily injury claims.

Louisiana’s low average personal income relative to the rest of the nation contributes to its personal auto insurance affordability



problems, which are exacerbated by its litigation environment. Despite strong income growth that has helped improve affordability, the state remains the least affordable among its Southern neighbors and the rest of the United States, according to IRC.

While IRC found that accident frequency in Louisiana was only slightly above average, the tendency to file an auto injury claim was significantly higher in Louisiana than in other Southern states.

The underinsured motorists (UIM) rate in Louisiana also is higher than in most Southern states. In 2022, 36 percent of injury accidents in Louisiana resulted in an accident victim filing with their own UIM coverage to seek compensation above the policy limits of the driver who was at fault. This percentage was slightly higher in Georgia, but significantly lower in other Southern states. For many key cost drivers, Louisiana is above the national average, particularly in injury claim relative frequency, underinsured motorists, and claim litigation.

Continued reforms in 2025 will be necessary to help prevent legal system abuse and promote a more competitive insurance market that leads to greater affordability for consumers.