

## **Commissioner's Column**

**February 2015**

### **Louisiana Insurance Markets Overview**

As Louisiana's Insurance Commissioner I am always working towards ensuring insurance is affordable and available to consumers. While monitoring the market for competition is crucial, ensuring that the regulated entities are responsive to policyholders and are financially sound is equally critical in maintaining a robust and competitive marketplace. Through continual monitoring of insurance companies' financial statements and the various markets we become aware of market changes that may need to be addressed from a regulatory standpoint.

In 2014 we experienced lower rate movement in almost all lines of insurance for which the Louisiana Department of Insurance (LDI) has rate approval authority. We witnessed a noticeable increase in competition in the property and casualty insurance sector with overall rate increases at only 1.9 percent for all lines of business (private passenger and commercial auto, homeowners, commercial multi-peril and workers' compensation) compared with 3.3 percent rate increases in 2013.

#### **Rebuilding after Devastation**

We are now approaching the ten year anniversary of Hurricanes Katrina and Rita, which were so devastating to the Gulf Coast states and to Louisiana in particular. Over the last decade, we have aggressively worked to attract new companies to our state. By implementing a combination of strategies to rebuild Louisiana's property insurance market, we now have 21 new insurance groups actively writing homeowner policies in our state. The homeowners market experienced double digit average rate increases after the 2005 hurricane season but has now stabilized, with the average statewide rate change in 2014 at 2.8 percent. That represents the lowest average statewide rate increase since 2005.

Combined with the reduction in market share of our state-sponsored market of last resort, Louisiana Citizens Property Insurance Corporation, more than 17 percent of the property market in 2004 has been redistributed from the largest three homeowner writers to other companies. As a result, we have given consumers more choices by filling that vacuum with smaller, regional companies that have come to our state. These companies are aggressively competing with not just national carriers, but with each other, producing more competitive pricing of property insurance policies. You can see the results of this competition in the overall homeowners rate changes for 2014.

The Commercial Multi-Peril market is the only major insurance market in Louisiana that had an overall higher rate increase in 2014 than the prior year. Those rates increased an average 0.9 percent in 2013 and 1.2 percent in 2014.

## **Steering in the Right Direction**

Louisiana has long been known for having some of the nation's highest auto insurance rates, but the latest data is encouraging. According to the latest data from the National Association of Insurance Commissioners, Louisiana now ranks third (with an average premium of \$1275 in 2012), with New Jersey ranking number one in the nation, followed by Washington, D.C. This is significant because we are seeing our ranking improve despite our minimum coverage requirements increasing in 2010 from 10/20/10 to 15/30/25 (i.e. \$15,000 of bodily injury coverage per person/\$30,000 of bodily injury coverage per accident/\$25,000 of property damage coverage).

Besides an improved ranking among states, we have seen some improvements in our auto insurance market. Though our auto markets remain competitive, starting in 2012 Louisiana's private passenger market saw some hardening of prices, similar to what many other states observed, after many years of stable rates that increased less than 1.5 percent per year. Private passenger auto rates peaked in 2013 with a 4.7 percent average increase but have now dropped in 2014 to an average 3.5 percent increase. Likewise, commercial auto rates dropped to a statewide average increase of 2.2 percent from 2.8 percent the prior year.

## **Workers Compensation Successes**

The workers compensation market is also seeing improvements with declining rates and more companies writing coverage in Louisiana. Market rates dropped an average 1.9 percent in 2014 compared with a 4.0 overall increase in 2013.

Louisiana has historically had higher rates than other states due to rich benefits, but rates, as measured by loss costs filed by the National Council on Compensation Insurance (NCCI), have declined dramatically over the last 20 plus years. I recently approved a rate request from the NCCI to lower workers compensation rates by 2.4 percent beginning May 1, 2015. The decrease is the result of fewer and less severe workplace injuries. This means that Louisiana rates have declined by 37 percent since 2006 – and by 56 percent since 1995. Companies today are paying half as much for the same coverage as they were 20 years ago, and about one-third less than they were paying just ten years ago.

We are also seeing more companies writing workers compensation insurance in Louisiana, an indicator of a competitive market. In 2007, there were 197 companies writing workers compensation – by the end of 2013, there were 232 companies - that's an increase of 35 new companies, or 18 percent over a period of six years.

## **Signs of Competition in Health Insurance Market**

Last year also saw more competition in the major medical market with the addition of a new insurer, the expansion of an existing insurer from a regional insurer to statewide, and the concerted effort of another insurer to reenter the individual market. In the health insurance

marketplace, rates have long been on the rise nationally. Last year, health issuers writing major medical coverage filed their proposed rates for 2015 with the LDI. Proposed rates for individual and small group health insurance plans being offered in 2015 were the first ones reviewed by LDI actuaries for compliance with state and federal laws as a result of legislation passed in 2014. In the individual health market, we are seeing an average rate increase of 13.75 percent for 2015. In the small group market, we are seeing an average rate increase of 6.12 percent.

Though the Department reviews health insurance rates and may influence health rates charged in Louisiana, the Department does not have authority to approve or disapprove an insurer's health rates. We estimate that our actuarial reviews of health rates this year saved consumers a total of more than \$4.1 million – \$1.4 million in the individual market and \$2.6 million in the small group market as a result of our new right to prior review though not approval authority.

A strong and healthy insurance marketplace is an essential foundation for our economy and we are pleased with the successes we've experienced in the decade since Hurricanes Katrina and Rita. Louisiana has certainly demonstrated to the world that our markets are healthy and open for business.