

Hidden Factors Under the Hood of Louisiana's Sky-High Auto Insurance Premiums

by Weiss Ratings, May 20, 2025

Residents of Louisiana currently pay more for car insurance than those of any other state in the nation.

For full-coverage policies, for example, the average annual premium in 2025 is \$2,883, or \$988 above the national average. That's even more expensive than Florida's (\$2,694) or California's (\$2,416).¹

Making matters worse, households of Louisiana earn the third-lowest medium income in the nation (\$58,229), barely squeaking ahead of West Virginia's or Mississippi's and far below Florida's (\$73,311) or California's (\$95,521).

For Louisiana residents, this convergence of highest-in-the-nation premiums *plus* bottom-of-the-rung income creates a cost-burden crisis of untold dimensions.

Why is this happening and what can be done about it?

Insurance companies operating in Louisiana would have you believe it's all about risk management. They emphasize the challenges posed by increasing claim costs, natural disasters and regulatory pressures. They argue that rate hikes are necessary to cover increasing expenses and maintain financial stability.

We do not deny the importance of financial stability. That's why, every quarter, we assign Weiss Safety Ratings to 27 property and casualty (P&C) insurers domiciled in Louisiana and a total of 2,678 nationwide.

But there's more under the hood of the Louisiana auto insurance crisis that has received both insufficient attention from policymakers and sorely inadequate disclosure to policyholders.

Here are some of the dominant trends that cry out for better disclosure.

Trend #1. Even as insurers point to millions in underwriting losses to get rate hikes and regulatory support, they earn billions in income on their investments.

Indeed, ten years of data provided by the National Association of Insurance Commissioners (NAIC) since 2015 reveal a consistent pattern of strong investment profits that challenges the narrative of financial hardship insurers frequently cite as a pretext for premium increases.

Specifically ...

1. Between 2015 and 2024, auto insurers operating in Louisiana reported underwriting losses of \$225 million, which, taken out of context, might seem very dire. For the same ten-year period, however, they also reported \$1.3 billion in income, almost entirely from investments (plus some other sources), dwarfing their underwriting losses.²
2. Progressive Safeway Insurance of Louisiana, for example, reported underwriting losses of \$27.1 million, while earning income of \$44.9 million from investments and other sources during the same 10-year period.

Southern Farm Bureau Casualty Insurance reported underwriting losses of \$738 million but was able to fully cover its losses with \$752 million in income from investments and other sources.

And Gray Insurance Company is the most extreme example. From 2015 to 2024, it suffered underwriting losses of \$1.2 million but made \$97.2 million from investments and other income.

3. This trend is not isolated to Louisiana. During that same ten-year period, the auto insurance industry nationwide reported \$29.4 billion in underwriting losses, but also reported \$466 billion in income from investments and other sources. That's \$15.87 in investment and other income for each \$1 of underwriting losses.
4. In 2024, thanks to the steep rate hikes of recent years, the auto insurers operating in the state were able to make decent income in both areas: \$120 million on their investments and other income, plus 105 million from underwriting. But the long-term trend remains firmly in place.

Trend #2. Due to the oversized role of investment income in almost every insurer's P&L, there's an unhealthy incentive for auto insurers to use stealth tactics to maximize the funds they have available to invest.

Naturally, the higher the premium rates, the more they can collect from policyholders and the greater their earnings on their investments. But that's not the only way insurers can seek to maximize investment income. Other tactics can include:

Delaying claims payments. The longer an insurer can hold on to funds they've collected in premiums, the more they have available to invest.

Reducing claims payments. The less they pay for each claim, the larger the pool of investment funds, too.

Denying claims outright. This is among the most concerning tactics of all: Among the 197,790 auto insurance claims that insurers domiciled in the state received in 2024, they closed 32.9% with no payment whatsoever. Insurers might be quick to say that some of those claims were frivolous or filed in error. However, insurers operating in the state find it far more difficult to explain:

- Why the state's 32.9% rate of claims closed with no payment is 4.2 percentage points higher than the national average.
- Why 67% of insurance complaints in the state were settled in favor of policyholders, indicating that approximately two-thirds of the complaints (stemming mostly from denied or delayed claims) were legitimate.³
- Why the percentage of private passenger liability claims closed without payment has increased from 39.2% of total claims in 2015 to 45.2% in 2024.⁴
- Why the percentage of commercial auto liability claims closed without payment has increased from 41.2% in 2015 to 49.6% in 2024.⁵
- Or why, among the three insurers domiciled in Louisiana reporting the relevant data, the percentage of claims closed with no payment has grown from an average of 30.9% in 2015 to 37.8% in 2024.

Trend #3. Another poorly understood tactic that depresses underwriting gains is management fees paid to affiliates.

Insurers have a choice: They can closely manage costs by keeping nearly all operations in house. Or they can farm out operations, pay higher fees to affiliates and move those funds outside the direct scrutiny of regulators.

Many often choose the latter option; from 2015 to 2024, insurers operating in Louisiana paid \$1.1 billion in fees to affiliates.

What can be done?

As we stated at the outset, the interest group that suffers the most in Louisiana's auto insurance crisis is auto owners. They have to pay the highest premiums in the nation despite one of the lowest median incomes in the nation.

Thus, the most rational, sustainable solution to the crisis is to empower policyholders to reward the best-performing insurance companies with their business, while punishing the worst-performing by moving elsewhere.

We believe this can be encouraged with:

1. Clear disclosure by the companies and their sales agents, at the point of sale, regarding facts that are essential for consumers to make an informed choice of insurance provider.
2. Current and historical information regarding each company's (a) claims payment delays, (b) claims reductions and (c) claims closed with no payment.
3. Easy-to-understand education regarding the meaning and implications of the three factors.
4. A financial rating or evaluation from an independent, objective source.
5. Plus, most importantly, the freedom for policyholders to make a choice among several providers with no risk of repercussions in terms of financial safety.

Provided insurance consumers are given this truth-in-insurance information in a clear and actionable format, they're bound to vote with their dollars, helping to right-size the industry over time.

Consumers will send the message to insurers operating in Louisiana that the only viable way to do business is to be transparent with their customers throughout the sales process, including the good, the bad and the ugly, while keeping them happy by delivering on their promises.

Notes on selection criteria of P&C auto insurers

- **Auto industry nationwide** includes all Property and Casualty (P&C) insurers that file in any given year with a minimum of \$1 million in auto premiums written. To be included, the insurer also must report at least 30% of total premiums written in auto lines of business.⁶
- **Auto insurers operating in Louisiana** include all P&C insurers that file in any given year, with a minimum of \$1 million in auto premiums written in Louisiana, representing 10% or more of their national auto business. The insurer must also report at least 30% of total premiums written in auto lines. This dataset includes both insurers domiciled and not domiciled in the state.⁷
- The data includes insurance companies that subsequently merged or failed.
- The ten-year period cited includes all years from 2015 to 2024.

Endnotes

1. Insure.com <https://www.insurance.com/auto-insurance/coverage/full-coverage.html>
2. **Net Investment Gains:** investment revenues from an insurer's operation. 2015-2024 NAIC Annual Statutory Financial Statements, Statement of Income, column 1, row 11.

Net Underwriting Gain (Loss): 2015-2024 NAIC Annual Statutory Financial Statements, Statement of Income, column 1, row 8.
3. Insurance Information Institute, <https://www.iii.org/press-release/more-reforms-needed-to-stem-legal-system-abuse-in-louisiana-insurance-market-households-pay-significantly-more-for-coverages-in-bayou-state-compared-to-other-states-triple-i-012225>
4. 2015-2024 NAIC Annual Statutory Financial Statements, Schedule P, Part 3B – Private Passenger Auto Liability/Medical, columns 11 & 12, row 11.
5. 2015-2024 NAIC Annual Statutory Financial Statements, Schedule P – Part 3C – Commercial Auto/Truck Liability/Medical, columns 11 & 12, row 11.
6. **Premium Written:** Daniel Liberto, “What Is a Written Premium in the Insurance Industry?” *Investopedia*, November 29, 2020, <https://www.investopedia.com/terms/w/written-premium.asp>

Premium Written by Line of Business 2015-2024 NAIC Annual Statutory Financial Statements, Underwriting and Investment Exhibit, Part 1B – Premiums Written, column 1, row 19 (19.1 to 19.4) plus row 21 (21.1 and 21.2).

Premium Written Total: 2015-2024 NAIC Annual Statutory Financial Statements, Underwriting and Investment Exhibit, Part 1B – Premiums Written, column 1, row 35.
7. **Premium Written by State:** 2015-2024 NAIC Annual Statutory Financial Statements, Exhibit of Premiums and Losses (statutory Page 14), Business in the State of Louisiana, column 1, row 19 (19.1 to 19.4) and row 21 (21.1 and 21.2).