

## Auto Insurance Affordability in Louisiana

Louisiana remains the least affordable state in the nation for personal auto insurance due to a combination of high insurance expenditures and relatively low median income. This Insurance Research Council (IRC) research brief focuses on the affordability of auto insurance and examines how Louisiana compares to the U.S. total and to other Southern states.

In 2022, the average annual expenditure for auto insurance in Louisiana was \$1,588 per vehicle, which is nearly 40 percent above the national average. Auto insurance costs accounted for 2.67 percent of the median household income in the state. Strong income growth in recent years has resulted in moderate improvement in this affordability measure since its peak in 2017, but Louisiana has maintained its decades-long streak as the least affordable jurisdiction for auto insurance.

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*Louisiana is the least affordable state in the nation for auto insurance, resulting from a combination of economic conditions, claiming behavior, and the state's litigation environment.*

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Affordability issues in Louisiana's personal auto insurance stem from multiple factors. Auto insurance affordability is ultimately determined by underlying cost drivers; these must be addressed to improve affordability. Key cost drivers in Louisiana include a higher tendency to file injury claims when an accident occurs, a high underinsured motorists rate, and a high rate of claim litigation.

The state's entrenched culture of litigiousness is evident from many sources. Louisiana received the second-lowest score in [a 2019 survey of businesses regarding the fairness of states' lawsuit climate, conducted by the U.S. Chamber of Commerce](#). The state is a perennial member of [the "Judicial Hellholes" list](#) published by the American Tort Reform Association (ATRA). Louisiana has also experienced elevated attorney advertising rates. According to [ATRA research](#) based on 2021 data, local legal services advertising in Louisiana amounted to \$47 million, or \$10 per resident, among the highest per capita rates in the country and more than double the countrywide rate. In addition, previous [IRC claim research](#) has pointed to high rates of attorney involvement in auto injury claims in the state.

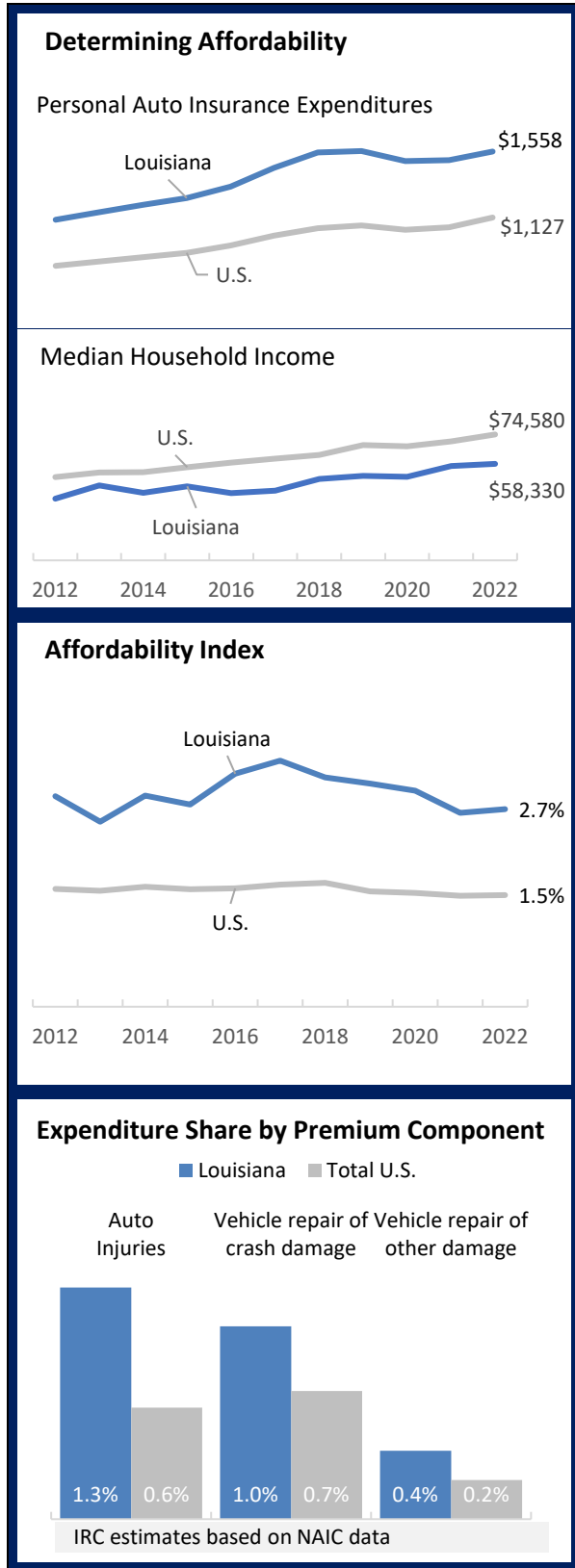
This report uses [average expenditure data](#) from the National Association of Insurance Commissioners (NAIC). The most recent year available is 2022; thus, this analysis does not reflect more recent increases in personal auto insurance rates. More information on data sources is in the Notes section.

# Louisiana Affordability Trends

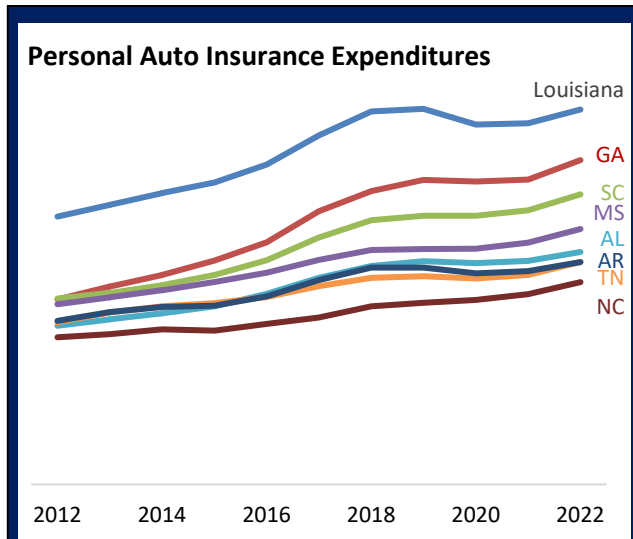
In 2022, Louisiana drivers spent an average of \$1,558 to insure a vehicle, nearly 40 percent higher than the U.S. average of \$1,127 and higher than any other state except for Florida. At the same time, median household income in Louisiana was 22 percent below the U.S. average. As a result, the auto insurance expenditure share of income—IRC’s key measure of affordability—is 2.7 percent in Louisiana, compared with 1.5 percent in the U.S. overall.

After a period of deteriorating affordability between 2012 and 2017, Louisiana experienced favorable expenditure and income trends between 2017 and 2022. Auto insurance expenditures grew more moderately in Louisiana than in the U.S. as a whole over this period (1.4 percent annualized versus 2.2 percent), due in part to an especially large decline in the first year of the pandemic. Louisiana’s income trend was even more favorable over this five-year period, with household income growth of 6.0 percent annualized, compared with 4.1 percent for the U.S. overall. As a result, affordability improved in Louisiana from a 3.33 percent expenditure share in 2017 to 2.67 percent in 2022. Even with this improvement, Louisiana maintained its rank as the least affordable jurisdiction for auto insurance.

The share of income that goes to paying for auto insurance can be broken down into premium components. The various coverages that constitute a personal auto policy include coverage for auto injuries, repair of crash damage to vehicles, and repair of vehicle damage from other causes.<sup>1</sup> Injury coverages accounted for the largest share of insurance expenditures in Louisiana, 1.3 percent of income, double the share for the U.S. as a whole. Louisiana drivers paid 1.0 percent of income for crash repair coverage, compared with the U.S. average of 0.7 percent. Although Louisiana is vulnerable to hurricanes, flooding, and other severe storms, the share of income going to pay for this type of coverage was 0.4 percent, significantly lower than the shares for crash-related coverages.

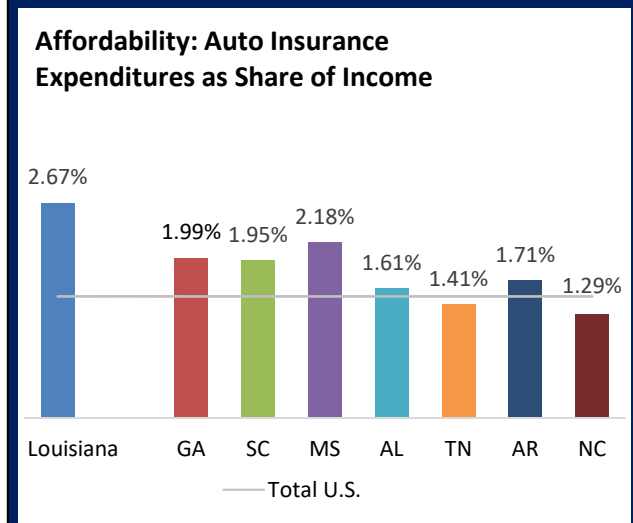


## Louisiana Compared to Other Southern States

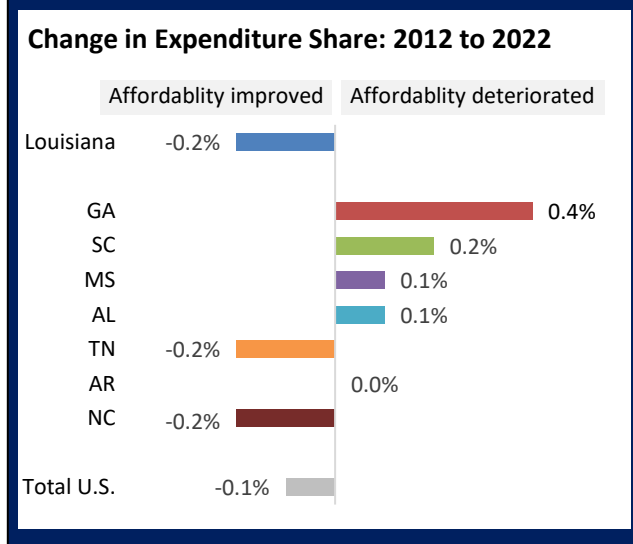


While the previous section compared the affordability of auto insurance in Louisiana to the U.S. as a whole, this section examines affordability trends in other Southern states.

Personal auto insurance expenditures in Louisiana were well above those in any other Southern state. Only two other Southern states, Georgia and South Carolina, had expenditures above the U.S. average. Louisiana’s average expenditure was nearly double the expenditure in the lowest Southern state (\$840 in North Carolina). Growth in auto insurance expenditures over the past decade was about 3½ percent annualized in most of the Southern states, including Louisiana, but two states saw above-average increases: Georgia (5.8 percent) and South Carolina (4.6 percent).



Auto insurance was less affordable than the U.S. average in all but two of these Southern states (Tennessee and North Carolina). Louisiana’s expenditure share of 2.67 percent income was followed by 2.18 percent in Mississippi. Georgia and South Carolina both experienced an expenditure share of just below 2.0 percent. Note, every one of the Southern states had median household income below the overall U.S. median, contributing to affordability challenges in the region as a whole. This was especially true for Mississippi, where the median income was 35 percent below the U.S. median.



The Southern states experienced varying affordability trends between 2012 and 2022. In three states (Louisiana, Tennessee, and North Carolina), strong income growth over the past decade led to improvements in the affordability of auto insurance. In contrast, affordability in Georgia deteriorated over this period, with a 0.4 percentage point increase in expenditure share due to above-average growth in expenditures. South Carolina, Mississippi, and Alabama experienced more modest deterioration.

# Personal Auto Insurance Cost Drivers

The IRC has identified several factors that contribute to the rising cost of insurance. For many key cost drivers, Louisiana is above the national average, particularly in injury claim relative frequency, underinsured motorists, and claim litigation.<sup>2</sup>

**Accident frequency:** The number of property damage liability claims per 100 insured vehicles in Louisiana is slightly higher than the countrywide average.

**Repair cost severity:** The average property damage claim in Louisiana is similar to that in the rest of the country.

**Injury claim relative frequency:** Louisianians show a greater propensity to file injury claims once an accident has occurred, with a relative claim frequency almost twice the U.S. average.

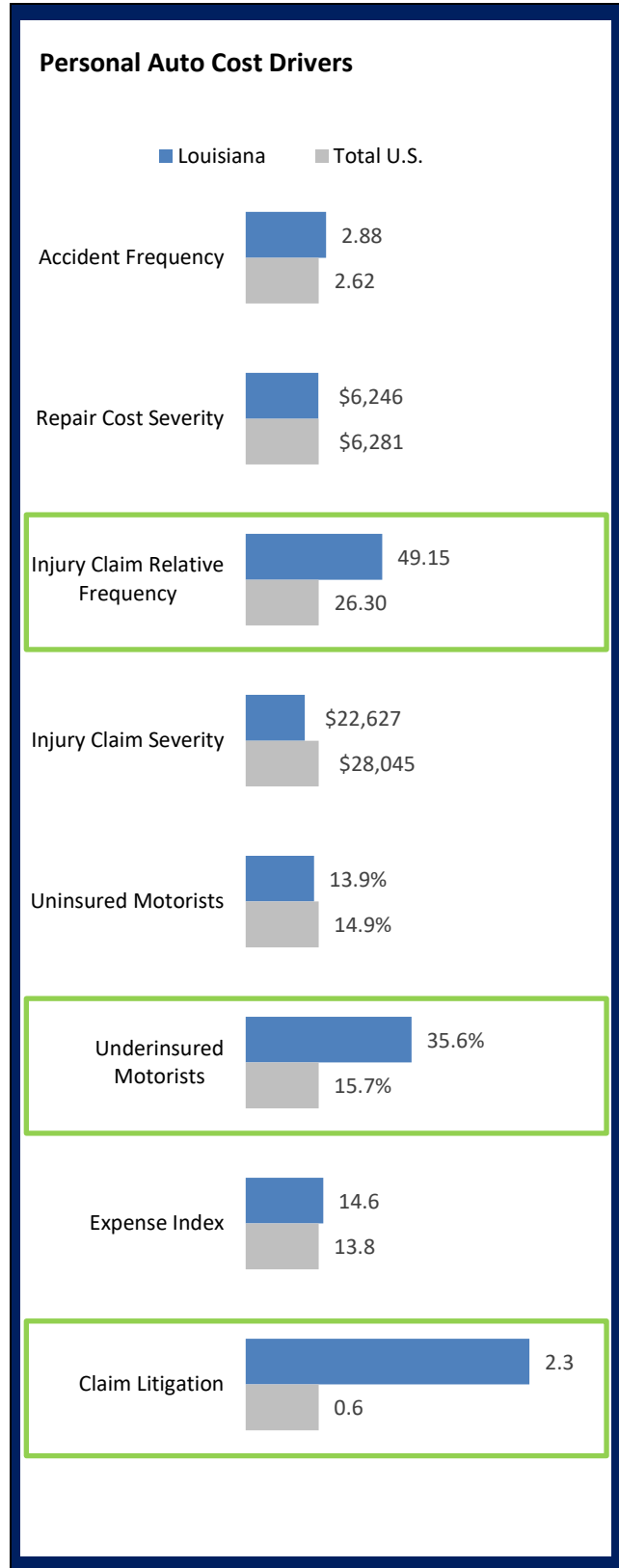
**Injury claim severity:** The average amount paid per claim for auto injury insurance claims in Louisiana is lower than the national average, largely due to lower policy limits.

**Uninsured motorists (UM):** Despite the high cost of insurance, the percentage of motorists driving without liability insurance is slightly below the national average.

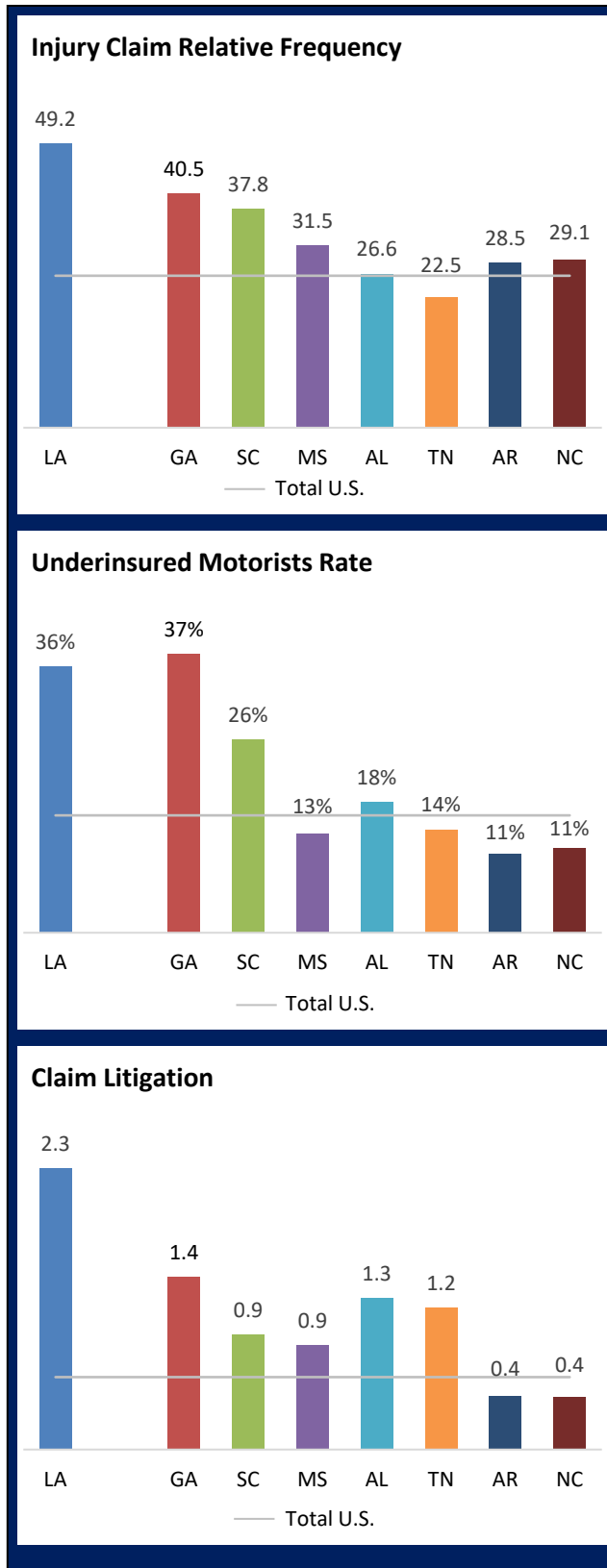
**Underinsured motorists (UIM):** The rate of underinsured motorists in Louisiana is more than double the countrywide rate, as the amounts claimed for injury compensation outstrip the relatively low policy limits chosen by many drivers.

**Expense index:** Claim settlement is somewhat more expensive in Louisiana, as measured by the amount insurers spent to process, investigate, and litigate claims, as a percentage of incurred losses.

**Claim litigation:** The rate of litigation in personal auto claims in Louisiana is more than three times the national average and one of the highest in the country.



## Cost Drivers: Louisiana and Other Southern States



The comparison of cost drivers between Louisiana and the U.S. average identified three specific issues. This section focuses on each of these cost drivers separately and looks at how Louisiana compares to other Southern states.

While accident frequency was slightly above average in Louisiana, the tendency to file an auto injury claim once an accident occurs was significantly higher in Louisiana than in other Southern states. The injury claim relative frequency measures the number of bodily injury liability claims per 100 property damage claims. In other words, for every 100 vehicle accidents in Louisiana that created property damage claims, 49 bodily injury claims were paid. In contrast, 100 accidents resulted in half as many claims in Tennessee or Alabama.

The underinsured motorists rate in Louisiana was 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. The minimum liability limit required to drive legally in Louisiana is one of the lowest in the country and below any other Southern state (\$15,000 in Louisiana versus \$30,000 in North Carolina and \$25,000 in the other 6 states).

Litigiousness in Louisiana has been a concern for some time, as suggested by attorney advertising figures, lawsuit climate surveys, and claims data. An additional measure uses NAIC data to create an estimate for litigation in private passenger auto claims. According to this measure, claims in Louisiana were more than 1½ times as likely to involve litigation compared to claims in Georgia, Alabama, or Tennessee. Claim litigation was more than twice as likely than in South Carolina and Mississippi and more than five times more likely than in Arkansas and North Carolina.

## Notes

1. Auto injury coverages include bodily injury liability, personal injury protection, medical payments, uninsured motorists, and underinsured motorists coverage. Crash damage coverages include property damage liability and collision. Other damage coverage includes comprehensive.
2. For more information about how these cost drivers are defined, see IRC's 2022 report [State Variations in Auto Insurance Affordability](#) or 2021 research brief [Auto Insurance Affordability: Countrywide Trends and State Comparisons](#).
  - Accident frequency is property damage liability claim frequency, based on data from the IRC study [Trends in Personal Auto Insurance Claims: 2002–2022](#), updated for 2023.
  - Repair costs reflects property damage liability claim severity, based on data from the IRC study [Trends in Personal Auto Insurance Claims: 2002–2022](#), updated for 2023.
  - Injury claim relative frequency is the number of bodily injury claims for every property damage liability claim, based on data from the IRC study [Trends in Personal Auto Insurance Claims: 2002–2022](#), updated for 2023.
  - Injury claim severity is the mean payment for bodily injury claims, based on data from the IRC study [Trends in Personal Auto Insurance Claims: 2002–2022](#), updated for 2023.
  - Uninsured motorists rate is the ratio of uninsured motorists claim frequency to bodily injury claim frequency in 2022, from IRC's report [Uninsured Motorists, 2017–2022](#).
  - Underinsured motorists rate is the ratio of underinsured motorists claim frequency to bodily injury claim frequency in 2022, from IRC's report [Underinsured Motorists, 2017–2022](#).
  - Expense index reflects loss adjustment expenses as a percentage of incurred losses, 2017–2021 average, based on data from NAIC's [Report on Profitability by Line by State in 2021](#).
  - Claim litigation reflects the percentage of personal auto claims with litigation, based on data from NAIC's [Market Conduct Annual Statement Scorecard](#) and measured by the ratio of suits opened to claims closed without payment multiplied by the ratio of claims closed without payment to the total claims closed.

## About the Insurance Research Council

The Insurance Research Council is an affiliate of The American Institute for Chartered Property Casualty Underwriters (The Institutes), a not-for-profit organization dedicated to providing educational programs, professional certification, and research related to risk management and property-casualty insurance. The IRC's purpose is to provide timely and reliable research to all parties involved in public policy issues affecting risk and insurance, but the IRC does not lobby or take legislative positions. The IRC is supported by leading property-casualty insurance organizations.

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