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Louisiana Tops List of Least Affordable States for Auto Insurance Due to Frequent Claims and Litigation

MALVERN, Pa., October 29, 2018—Louisiana ranks number one on a list of least affordable states for auto insurance, according to a new study from the Insurance Research Council (IRC). Key cost drivers of the state’s high insurance rates include the frequency of auto accidents and resulting injury claims, as well as the prevalence of attorney involvement and litigation. Louisiana’s affordability index (2.64 percent) was the highest in the U.S. from 2011 to 2015. The affordability index is the ratio of average expenditures on auto insurance to median household income.

One factor behind the high cost of insurance in Louisiana is the frequency of auto accidents and resulting insurance claims. In 2017, Louisiana had the highest bodily injury (BI) liability claim frequency in the country (1.75 claims per 100 insured vehicles, almost double the countrywide rate of 0.90 claims per 100 insured vehicles).

Another important factor is the propensity of Louisiana claimants to hire attorneys and file lawsuits. Among 2017 BI claims, 54 percent of Louisiana claimants hired attorneys, compared with 48 percent of claimants in other states. Moreover, Louisiana claimants were 60 percent more likely to file lawsuits (16 percent compared with 10 percent countrywide).

“The affordability of auto insurance is an important issue in Louisiana and many other states,” said Elizabeth Sprinkel, CPCU, senior vice president of the IRC. “As policymakers seek to address this issue, it is vital to have an understanding of the cost drivers that underlie variations in the cost of auto insurance for consumers.”

The report, *Auto Insurance Affordability: Cost Drivers in Louisiana*, combines information from IRC closed-claim research and other sources and is part of IRC’s ongoing research into the

factors driving the affordability of auto insurance. For more information on the study's methodology and findings, contact David Corum at (484) 831-9046 or at IRC@TheInstitutes.org. Visit the IRC's website, Insurance-Research.org, for information about purchasing a copy of the report.

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