

Effect of Mandated Uninsured Motorist Coverage on Automobile Insurance Rates (HR 160)

Report to the Legislature



Louisiana Department of Insurance

James J. Donelon, Commissioner

Louisiana Department of Insurance

This public document is published at a unit cost of \$5.87. 20 copies of this public document were published in this first printing at a total cost of \$117.37. The total cost of all printings of this document including reprints is \$117.37. This document was published by the Louisiana Department of Insurance, P.O. Box 94214, Baton Rouge, LA 70804-9214 to report in response to House Resolution 160 of the 2022 Regular Session of the Louisiana Legislature. This material was printed in accordance with standards for printing by State Agencies established in R.S. 43:31.

HR 160

Effect of Mandated Uninsured Motorist Coverage on Automobile Insurance Rates
Louisiana Department of Insurance – December 30, 2022

Background of HR 160

HR 160 of the 2022 Regular Session by Rep. Edmond Jordan authorized and directed “the Department of Insurance to study and make recommendations to the Legislature of Louisiana regarding the effect of mandated uninsured motorist coverage on automobile insurance rates.”

HR 160 was preceded by HB 951 by Rep. Edmond Jordan which would have amended R.S. 22:1295(1)(a) and (d)(introductory paragraph) and (2) to require uninsured (UM) and underinsured (UIM) motorist coverage in all automobile liability insurance policies issued or issued for delivery in this state.

Other States

According to the Insurance Information Institute (III), 18 states and the District of Columbia have mandatory UM/UIM or UM coverage. No state requires UIM coverage without UM.

Of the Southeastern coastal states, only North Carolina and South Carolina mandate either UM or UIM coverages or both. In addition to Louisiana, Texas, Mississippi, Alabama, Georgia, and Florida do not mandate UM/UIM coverage. Based on information from the North Carolina Department of Insurance website, North Carolina requires UM coverage for minimum limits policies and UM/UIM for policies above minimum limits. Based on information from the South Carolina Department of Insurance website, South Carolina requires UM coverage of at least 25/50/25 and UIM is optional.

The below chart shows the relative private passenger automobile (PPA) premiums with the highlighted states indicating those requiring **UM/UIM** or **UM** only coverage according to III. (NAIC 2018/2019 *Auto Insurance Database Report*, Combined Average Premium)

1	Louisiana	1,761.25	18	Arizona	1,198.79	35	Kansas	998.54	
2	Michigan	1,620.01	19	Washington	1,151.62	36	Minnesota	991.07	
3	DC	1580.78	20	Mississippi	1,148.79	37	Wyoming	983.49	
4	New York	1,575.13	21	Alaska	1,141.88	38	Nebraska	973.87	
5	Rhode Island	1,550.52	22	New Mexico	1,122.56	39	Virginia	964.69	
6	New Jersey	1,510.58	23	Oklahoma	1,113.84	40	Hawaii	955.65	
7	Florida	1,505.90	24	Pennsylvania	1,102.76	41	South Dakota	932.81	
8	Georgia	1,430.83	25	Arkansas	1,097.51	42	New Hampshire	897.15	
9	Nevada	1,419.49	26	Alabama	1,097.51	43	Ohio	882.78	
10	Delaware	1,388.95	27	West Virginia	1,093.67	44	North Carolina	874.53	
11	Texas	1,370.19	28	Kentucky	1,086.00	45	Indiana	872.81	
12	Maryland	1,347.39	29	Oregon	1,076.26	46	North Dakota	861.37	
13	Connecticut	1,346.25	30	Missouri	1,069.97	47	Vermont	856.32	
14	Colorado	1,335.08	31	Utah	1,050.70	48	Idaho	846.91	
15	Massachusetts	1,261.84	32	Montana	1,036.98	49	Wisconsin	840.47	
16	South Carolina	1,244.51	33	Illinois	1,017.02	50	Iowa	822.99	
17	California	1,219.51	34	Tennessee	1,000.92	51	Maine	788.26	

Louisiana

Current Louisiana law (R.S. 22:1295) does not require that a policy contain UM/UIM coverage, but it does require the insurer to offer and the applicant to accept or reject UM/UIM coverage.

The attached Actuarial Exhibit shows that the Louisiana average UM/UIM premium for 2018 is 26% of the Louisiana average bodily injury and property damage (BI/PD) premium for 2018.

The Actuarial Exhibit further shows based on recent rate filings that the weighted average of UM/UIM divided by BI/PD is 31% based on policy counts and premiums from several larger automobile insurers writing in Louisiana and using only minimum limits (15/30/25) policies.

Findings and Recommendations

The Louisiana Department of Insurance (LDI) finds the following:

1. There is no correlation between requiring UM/UIM or UM coverage and lower insurance rates. The above chart listing insurance costs shows that the 18 states and the District of Columbia with UM/UIM or UM requirements range from the third highest premium, District of Columbia, to the least expensive, Maine.
2. The LDI cannot definitively state that mandatory UM/UIM coverage would raise or lower rates for PPA insurance in general or for any particular required coverage.
3. Assuming no change in PPA rates, a mandate for UM/UIM coverage in Louisiana would cause a substantial average increase in premiums paid by minimum limits policyholders.
 - a. The increase would be greater than 25% of the average premium for required BI/PD coverage.
 - b. For minimum limits policyholders, who constitute approximately 40% of motor vehicle operators, the cost increase would range from 27% to 51% of the premium for mandatory minimum BI/PD coverage.

Therefore, the Louisiana Department of Insurance recommends against mandating UM/UIM or UM coverage for automobile insurance policies.

2022 Regular Session

HOUSE RESOLUTION NO. 160

BY REPRESENTATIVE JORDAN

A RESOLUTION

To authorize and direct the Department of Insurance to study and make recommendations to the Louisiana Legislature regarding the effect of mandated uninsured motorist coverage on automobile insurance rates.

WHEREAS, the American Automobile Association (AAA) has reported that an average of six hundred eighty-two thousand hit-and-run crashes occurred per year in the United States from 2006 to 2016; and

WHEREAS, Kelley Blue Book has reported the average cost of a used car exceeds twenty-eight thousand dollars; and

WHEREAS, AAA has reported that in 2016, there were one thousand nine hundred eighty fatal hit-and-run crashes resulting in two thousand forty-nine fatalities; and

WHEREAS, in addition to emotional distress, victims of hit-and-run accidents and their families may have to shoulder the financial burden of car repair expenses, medical expenses, and funeral expenses; and

WHEREAS, AAA has reported that Louisiana has one of the highest per capita hit-and-run accident rates in the United States; and

WHEREAS, AAA has reported that Louisiana has one of the highest per capita hit-and-run fatality rates in the United States; and

WHEREAS, depending on the terms of the policy, uninsured motorist insurance may provide coverage for losses that result from a hit-and-run accident; and

WHEREAS, Consumer Affairs reports that as of February 2021, twenty-one states and the District of Columbia require uninsured motorist coverage to be included in automobile liability insurance policies; and

WHEREAS, Louisiana law currently mandates that automobile liability insurance policies include coverage in not less than the limits of bodily injury liability, unless the policyholder rejects such coverage or selects lower limits; and

WHEREAS, it is the duty of the Department of Insurance to study and regulate the insurance industry for the state of Louisiana.

THEREFORE, BE IT RESOLVED that the House of Representatives of the Legislature of Louisiana does hereby authorize and direct the Department of Insurance to study and make recommendations to the Louisiana Legislature regarding the effect of mandated uninsured motorist coverage on automobile insurance rates.

BE IT FURTHER RESOLVED that the Department of Insurance shall report its findings and recommendations to the Legislature of Louisiana on or before January 1, 2023.

BE IT FURTHER RESOLVED that a copy of this Resolution be transmitted to the commissioner of insurance.

SPEAKER OF THE HOUSE OF REPRESENTATIVES

2022 Regular Session

HOUSE BILL NO. 951

BY REPRESENTATIVE JORDAN

INSURANCE/AUTOMOBILE: Requires automobile liability insurance policies include uninsured motorist coverage

1 AN ACT

2 To amend and reenact R.S. 22:1295(1)(a) and (d)(introductory paragraph) and (2), relative
3 to uninsured motorist coverage; to require that all automobile liability insurance
4 policies issued in this state include uninsured motorist coverage; to repeal provisions
5 allowing economic-only uninsured motorist coverage; to repeal provisions allowing
6 uninsured motorist coverage with limits less than bodily injury liability; to make
7 technical changes; and to provide for related matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 22:1295(1)(a) and (d)(introductory paragraph) and (2) are hereby
10 amended and reenacted to read as follows:

11 §1295. Uninsured motorist coverage; required

12 The following provisions shall govern the issuance of uninsured motorist
13 coverage in this state:

14 (1)(a)(i) No automobile liability insurance covering liability arising out of
15 the ownership, maintenance, or use of any motor vehicle shall be delivered or issued
16 for delivery in this state with respect to any motor vehicle designed for use on public
17 highways and required to be registered in this state or as provided in this Section
18 unless coverage is provided therein or supplemental thereto, in not less than the
19 limits of bodily injury liability provided by the policy, under provisions filed with
20 and approved by the commissioner of insurance, for the protection of persons insured

1 thereunder who are legally entitled to recover nonpunitive damages from owners or
2 operators of uninsured or underinsured motor vehicles because of bodily injury,
3 sickness, or disease, including death resulting therefrom; ~~however, the coverage~~
4 ~~required under this Section is not applicable when any insured named in the policy~~
5 ~~either rejects coverage, selects lower limits, or selects economic-only coverage, in~~
6 ~~the manner provided in Item (1)(a)(ii) of this Section. In no event shall the policy~~
7 ~~limits of an uninsured motorist policy be less than the minimum liability limits~~
8 ~~required under R.S. 32:900, unless economic-only coverage is selected as authorized~~
9 ~~in this Section. Such coverage need not be provided in or supplemental to a renewal,~~
10 ~~reinstatement, or substitute policy when the named insured has rejected the coverage~~
11 ~~or selected lower limits in connection with a policy previously issued to him by the~~
12 ~~same insurer or any of its affiliates. The coverage provided under this Section may~~
13 ~~exclude coverage for punitive or exemplary damages by the terms of the policy or~~
14 ~~contract. Insurers may also make available, at a reduced premium, the coverage~~
15 ~~provided under this Section with an exclusion for all noneconomic loss. This~~
16 ~~coverage shall be known as "economic-only" uninsured motorist coverage.~~
17 ~~Noneconomic loss means any loss other than economic loss and includes but is not~~
18 ~~limited to pain, suffering, inconvenience, mental anguish, and other noneconomic~~
19 ~~damages otherwise recoverable under the laws of this state.~~

20 (ii) ~~Such rejection, selection of lower limits, or selection of economic-only~~
21 ~~coverage shall be made only on a form prescribed by the commissioner of insurance.~~
22 ~~The prescribed form shall be provided by the insurer and signed by the named~~
23 ~~insured or his legal representative. The form signed by the named insured or his~~
24 ~~legal representative which initially rejects such coverage, selects lower limits, or~~
25 ~~selects economic-only coverage shall be conclusively presumed to become a part of~~
26 ~~the policy or contract when issued and delivered, irrespective of whether physically~~
27 ~~attached thereto. A properly completed and signed form creates a rebuttable~~
28 ~~presumption that the insured knowingly rejected coverage, selected a lower limit, or~~
29 ~~selected economic-only coverage. The form signed by the insured or his legal~~

1 ~~representative which initially rejects coverage, selects lower limits, or selects~~
 2 ~~economic-only coverage shall remain valid for the life of the policy and shall not~~
 3 ~~require the completion of a new selection form when a renewal, reinstatement,~~
 4 ~~substitute, or amended policy is issued to the same named insured by the same~~
 5 ~~insurer or any of its affiliates. An insured may change the original uninsured~~
 6 ~~motorist selection or rejection on a policy at any time during the life of the policy by~~
 7 ~~submitting a new uninsured motorist selection form to the insurer on the form~~
 8 ~~prescribed by the commissioner of insurance. Any changes to an existing policy,~~
 9 ~~regardless of whether these changes create new coverage, except changes in the~~
 10 ~~limits of liability, do not create a new policy and do not require the completion of~~
 11 ~~new uninsured motorist selection forms. For the purpose of this Section, a new~~
 12 ~~policy shall mean an original contract of insurance which an insured enters into~~
 13 ~~through the completion of an application on the form required by the insurer.~~

14 (iii) This Subparagraph and its requirement for uninsured motorist coverage
 15 shall apply to any liability insurance covering any accident which occurs in this state
 16 and involves a resident of this state.

17 (iv) (iii) Notwithstanding any contrary provision of this Section and R.S.
 18 22:1406, an automobile liability policy written to provide coverage for a school bus
 19 may limit the scope of uninsured motorist liability to only provide liability coverage
 20 for damages incurred by reason of an accident or incident involving the school bus,
 21 or a temporary substitute vehicle, and such limitation shall limit the uninsured
 22 motorist coverage of a named insured in the policy to only damages incurred by
 23 reason of such accident or incident.

24 * * *

25 (d) ~~Unless the named insured has rejected uninsured motorist coverage, the~~
 26 An insurer issuing an automobile liability policy that does not afford collision
 27 coverage for a vehicle insured thereunder shall, at the written request of a named
 28 insured, provide coverage in the amount of the actual cash value of such motor
 29 vehicle described in the policy or the minimum amount of property damage liability

1 insurance required by the Motor Vehicle Safety Responsibility Law, R.S. 32:851 et
 2 seq., whichever is less, for the protection of persons insured thereunder who are
 3 legally entitled to recover damages from the owner or operator of an uninsured motor
 4 vehicle because of property damage to the motor vehicle described in the policy
 5 arising out of the operation, maintenance, or use of the uninsured motor vehicle. The
 6 coverage provided ~~under~~ in accordance with this Section shall be subject to a
 7 deductible in an amount of two hundred fifty dollars for any one accident. The
 8 coverage provided ~~under~~ in accordance with this Section shall not provide protection
 9 for any of the following:

10 * * *

11 (2)(a) For the purpose of this coverage, the ~~terms~~ term "uninsured motor
 12 vehicle" shall, subject to the terms and conditions of such coverage, be deemed to
 13 include an insured motor vehicle where the liability insurer thereof is unable to make
 14 payment with respect to the legal liability of its insured within the limits specified
 15 therein because of insolvency.

16 (b) For the purposes of this coverage, the term "uninsured motor vehicle"
 17 shall, subject to the terms and conditions of such coverage, also be deemed to include
 18 an insured motor vehicle when the automobile liability insurance coverage on such
 19 vehicle is less than the amount of damages suffered by an insured ~~and/or~~ or the
 20 passengers in the insured's vehicle at the time of an accident, as agreed to by the
 21 parties and their insurers or as determined by final adjudication.

22 * * *

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 951 Engrossed 2022 Regular Session Jordan

Abstract: Requires automobile liability insurance policies include uninsured motorist coverage.

Present law provides that automobile liability insurance covering liability arising out of the ownership, maintenance, or use of any motor vehicle shall provide coverage in not less than

the limits of bodily injury liability for protection of persons insured thereunder who are entitled to recover nonpunitive damages from owners or operators of uninsured or underinsured motor vehicles, unless the named insured rejects the coverage, selects lower limits but not less than the minimum liability limits required in present law (R.S. 32:900), or selects economic-only coverage.

Present law provides that insurers may make available, at a reduced premium, uninsured motorist coverage with an exclusion for all noneconomic loss. This coverage is known as "economic-only" uninsured motorist coverage.

Present law provides that noneconomic loss means any loss other than economic loss and includes but is not limited to pain, suffering, inconvenience, mental anguish, and other noneconomic damages otherwise recoverable under the laws of this state.

Proposed law provides that automobile liability insurance provided for in present law shall include uninsured motorist coverage as provided in present law.

Proposed law repeals the option in present law for a named insured to reject uninsured motorist coverage or select economic-only coverage.

Present law provides that if an insured rejects uninsured motorist coverage, selects a limit lower than bodily injury liability, or selects economic-only coverage, the selection shall be made on a form prescribed by the commissioner, which shall be considered a part of the policy. Proposed law provides that the insured may thereafter change his uninsured motorist coverage selection by submitting a new selection form to the insurer on the form prescribed by the commissioner.

Proposed law repeals present law.

Present law provides that uninsured motorist coverage shall apply to any liability insurance covering any accident which occurs in this state and involves a resident of this state.

Present law provides that an automobile liability policy written to provide coverage for a school bus may limit the scope of uninsured motorist liability to only provide liability coverage for damages incurred by reason of an accident or incident involving the school bus, or a temporary substitute vehicle, and such limitation shall limit the uninsured motorist coverage of a named insured in the policy to only damages incurred by reason of such accident or incident.

Proposed law retains and recodifies present law.

Present law provides that unless the named insured has rejected uninsured motorist coverage, an insurer issuing an automobile liability policy that does not afford collision coverage shall, at the written request of a named insured, provide coverage in the amount of the actual cash value of such motor vehicle or the minimum amount of property damage liability insurance required by present law (R.S. 32:851 et seq.), whichever is less.

Proposed law applies present law to all uninsured motorist coverage policies.

Present law defines "uninsured motor vehicle" for the purposes of present law.

Proposed law retains and makes technical changes to present law.

(Amends R.S. 22:1295(1)(a) and (d)(intro. para.) and (2))

NAIC's 2018/2019 Auto Insurance Database Report

Louisiana Uninsured/Underinsured Motorist 2018 = \$210.70

(Per insured car per year. Mixture of purchased limits.)

Louisiana BI/PD Average Premium 2018 = \$817.78

UM/UIM divided by BI/PD Avg Premium = 26%

Example Policies from recent Rate Filings

	UM/UIM		Example Characteristics	LA Policy Count
	per 6 months	per year		
State Farm Mutual Automobile IC	\$128.48	\$256.96	15/30/25 limits, Alexandria	1,020,450
State Farm F&C Company	\$259.14	\$518.28	15/30/25 limits, Alexandria	25,527
Progressive Security IC	\$114.00	\$228.00	15/30/25 limits, Alexandria	218,140
Progressive Paloverde IC	\$71.00	\$142.00	15/30/25 limits, Alexandria	117,476
Allstate P&C Insurance Company	\$126.67	\$253.34	15/30/25 limits, Slidell	129,489
Weighted Average	\$123.97	\$247.95		1,511,082

	BI/PD	
	per 6 months	per year
State Farm Mutual Automobile IC	\$475.60	\$951.20
State Farm F&C Company	\$567.53	\$1,135.06
Progressive Security IC	\$223.00	\$446.00
Progressive Paloverde IC	\$160.00	\$320.00
Allstate P&C Insurance Company	\$321.13	\$642.26
Weighted Average	\$402.91	\$805.83

	UM/UIM divided by BI/PD
State Farm Mutual Automobile IC	27%
State Farm F&C Company	46%
Progressive Security IC	51%
Progressive Paloverde IC	44%
Allstate P&C Insurance Company	39%
Weighted Average	31%