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Baton Rouge, Louisiana



AUTO INSURANCE: NEW JERSEY SHINES, LOUISIANA LAGS

For years, New Jersey has regularly led the nation in having the highest auto insurance rates anywhere in the country. All of a sudden, their rates are plummeting, while Louisiana stays at the top of the list for what drivers have to pay. What happened to New Jersey, and why can't the same thing take place in Louisiana?

The *New York Times* ran a major business story a few weeks ago, (August 24th, 2006) ballyhooing the fact that: "For the first time in decades, prices for coverage are falling in New Jersey and insurance companies are fighting for drivers' business. More than 75 percent of New Jersey's drivers are now paying less for auto insurance and further reductions are expected."

So what's the secret there? Minimum regulatory constraints. Oversight by the Insurance Department has been cut back dramatically, and companies now have fewer hoops to go through. Basically, they can charge what they want. With more competition, rates for certain classes of drivers are dropping significantly.

So what's the catch? Why can't Louisiana follow Jersey's plan, and see significant reductions in the cost of auto insurance here?

Yes, Louisiana can follow the New Jersey lead but there is a catch. Not everyone benefits. As part of the New Jersey program, state regulators now allow insurance companies to use credit scores, occupation, and educational levels in evaluating just what rate can be charged. New Jersey is a much wealthier state than Louisiana. As a consequence, low income drivers get stuck with higher rates. In Louisiana, there are a much greater percentage of drivers in the lower income spectrum.

There is one other factor in the mix. Louisiana is a top-tier state when it comes to almost every comparison of drunk drivers, uninsured drivers, and lousy drivers. That's right! We live in a state where drivers are untrained, uninsured, have poor driving habits, and proportionately get on the road full of alcohol more than any other state in the country.

So the downsides are twofold. First, as long as strictly enforcing driver safety laws and those requiring insurance are receiving lackadaisical attention from the law enforcement community, overall accident rates will be much higher than New Jersey's, and basically will continue to stay high. Secondly, if the Insurance Department will begin letting insurance companies charge a price based on your credit score, what your income is, and where you live, then upper income drivers are going to see a significant drop. Critics, with justification, point out that these factors have nothing to do with how well an individual can drive. If you've had some credit problems, or chosen a field where you're not making a lot of money, why is it a factor in determining whether you're a better or worse driving risk? It should not be a factor, but when you allow these categories to be a part of determining insurance rates, there are winners and losers.

Unfortunately, insurance regulators in Louisiana have not encouraged more "creativity" from insurance companies operating here at the present time. In Texas, companies are allowed to charge an individual rate based on when you drive, how far you drive, and the time of day you drive. The person that drives basically to and from work, is home before dark, and drives in safer neighborhoods see reduced rates. The information is computed monthly, and that driver will get a monthly bill, just like one received for the electricity or water used each month.

How about letting the car dealer include a three-year, paid-up policy in the price of the vehicle? It's an interesting idea, but not legal in Louisiana today.

Yes, Louisiana can follow the New Jersey model, and a number of drivers will see a significant drop. But then the uninsured rate starts rising dramatically, and right now the percentage of uninsured drivers on Louisiana highways is one of the highest in the nation. So over time, uninsured drivers are going to force higher rates from those who obey the law.

The bottom line is this. It's a juggling act of common sense approaches that considers a number of factors. Louisiana's economic standing cannot absorb an unregulated insurance market without driving large numbers of low income drivers into the uninsured category. Nobody benefits when this takes place.

Two things will work in Louisiana, and those who aspire to be Insurance Commissioner ought to be talking about them. First of all, enforce the laws on the books. When was the last time you saw a checkpoint for drunk drivers or uninsured drivers on the highways? They were a regular fixture during the 90s, but interest by law enforcement officials have waned in recent years. Allow more creativity. There are new insurance products that should be brought to Louisiana. It's up to the Insurance Department to encourage more forward thinking options.

It's a tough problem to solve. Solutions are available, and there is just no reason why auto insurance rates throughout Louisiana should not stabilize and start going down. It's going to take a number of interests coming together. The Governor has shied away from insurance issues,

even though she appoints the Commission that actually sets the insurance rates in Louisiana. There has not been a serious insurance solution to come out of the legislature in years.

The timing is right and the options are there. But someone has to take the lead. It's the same question LSU fans were asking for months. Who's going to be the quarterback?

If you want to make an apple pie from scratch, you must first create the universe.

Carl Sagan

Peace and Justice.

Jim Brown

Jim Brown's weekly column appears each Thursday here at Politicsla.com, and in a number of newspapers throughout the State of Louisiana. You can read Jim's Blog, and take his weekly poll, plus read his columns going back to the fall of 2002 by going to his own website at <http://www.jimbrownla.com>.

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