



# Consumer Federation of America

April 8, 2024

Louisiana Insurance Committee  
Louisiana State Senate  
900 North 3<sup>rd</sup> Street  
Baton Rouge, LA 70804

Re: Oppose the Repeal of Louisiana's Prior Approval Insurance Regulatory System

The Consumer Federation of America (CFA) opposes the repeal of Louisiana's prior approval insurance regulatory system and urges you to reject any bills or proposals that would weaken this infrastructure of consumer protection. While we believe that the Louisiana Department of Insurance has not sufficiently exercised its consumer protection authority in recent years, removing prior approval authority would be an unwarranted giveaway to the insurance industry that would increase prices and further exacerbate unfairness in the Louisiana insurance market. Strong prior approval regulation and oversight of insurance is the best way to protect consumers, resulting in slower premium growth, better quality insurance products, and a more competitive market. The failure of Louisiana regulators to meet their oversight responsibilities is not a reason to deregulate this critical market.

In the auto insurance market, Louisiana aggressively regulates consumer behavior by requiring that every driver in the state purchase coverage. That mandate makes it essential that the state effectively regulate company behavior and pricing in this market.

In the home insurance market, where most homeowners are also forced to purchase insurance as a condition of having a mortgage, the challenges are not driven by consumer protections and regulatory oversight of insurers. The crisis is primarily due to the escalating risk associated with climate change<sup>1</sup> and the insurance industry's reliance on the unregulated global reinsurance market.<sup>2</sup> It is exacerbated by too many instances of insurance companies delaying and low-balling claims in the wake of hurricane losses and by too little oversight by the Louisiana Department of Insurance of the insurers and MGAs (managing general agents) that have siphoned profits out of the state even as they put their policyholders at risk.<sup>3</sup>

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<sup>1</sup> "Climate Change Is Causing an Insurance Crisis in Louisiana." By Leslie Kaufman. Bloomberg News. September 11<sup>th</sup>, 2023. Available at <https://news.bloomberglaw.com/insurance/climate-change-is-causing-an-insurance-crisis-in-louisiana>.

<sup>2</sup> "Tightening of Reinsurance Market Worsens Louisiana's Ongoing Insurance Crisis." By Stephen Maloney. New Orleans CityBusiness. March 23, 2023. Available at <https://neworleanscitybusiness.com/blog/2023/03/23/tightening-of-reinsurance-market-worsens-louisianas-ongoing-insurance-crisis/>.

<sup>3</sup> "Louisiana Welcomed Small Insurers Looking to Make Money Fast. Then the House of Cards Collapsed." By Sam Karlin. The Advocate. January 11, 2024. Available at [https://www.theadvocate.com/baton\\_rouge/news/business/11-of-12-failed-louisiana-insurers-paid-money-to-affiliates/article\\_45481290-6ef8-50bb-ac17-fc9c31381ef4.html](https://www.theadvocate.com/baton_rouge/news/business/11-of-12-failed-louisiana-insurers-paid-money-to-affiliates/article_45481290-6ef8-50bb-ac17-fc9c31381ef4.html).

CFA’s past research indicates that prior approval regulation and oversight of insurance leads to the best outcomes for consumers.<sup>4</sup> This system, when administered effectively, is superior at holding prices down while allowing reasonable insurer profits and maintaining a competitive market. Stronger regulatory oversight does not inhibit insurer profitability as some opponents of regulation suggest—robust regulation and oversight are essential components of a functioning insurance market. Prior approval regulation also promotes higher quality products and practices and provides a mechanism for restitution when consumers are harmed. Moreover, other states have moving toward stronger and more comprehensive insurance regulation; for example, Delaware recently became a prior approval state.

Obviously the Louisiana insurance market needs reform. Safe drivers with perfect records pay hundreds or thousands of dollars in higher premiums simply because they have poor credit scores. Homeowners invest in new roofs and more resilient homes, but insurance models and pricing algorithms do not give them the discounts they deserve for lowering the risk. Residents without options turn to Louisiana Citizens and then are charged higher than actuarially indicated rates, because the Legislature has prioritized insurance industry concerns over consumer savings. All of these should be addressed, but deregulating the insurance companies will not solve these problems. It will only make things worse.

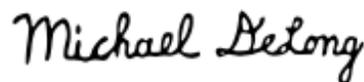
CFA is an association of consumer organizations that was founded in 1968 and works to advance the consumer interest through research, advocacy, and education. Our positions are based on our years of conducting research on insurance markets, working to reduce insurance costs, and opposing unfair discrimination. Thank you for considering our views.

Please contact us at [mdelong@consumerfed.org](mailto:mdelong@consumerfed.org) with any questions.

Sincerely,



Douglas Heller  
Director of Insurance  
Consumer Federation of America



Michael DeLong  
Research and Advocacy Associate  
Consumer Federation of America

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<sup>4</sup> “Auto Insurance Regulation: What Works 2019: How States Could Save Consumers \$60 Billion a Year.” By J. Robert Hunter and Douglas Heller. Consumer Federation of America. February 11<sup>th</sup>, 2019. Available at <https://consumerfed.org/wp-content/uploads/2019/02/auto-insurance-regulation-what-works-2019.pdf>.