

Insurance rating group was a hindrance

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The arrival of the new year marked the end of the Louisiana Insurance Rating Commission. Legislators voted in 2007 to abolish the commission, and Gov. Kathleen Blanco signed it into law.

Louisiana was the only state in which insurance rates were set by a board appointed by the governor. In other states, the market sets the rates.

The Insurance Rating Commission was a relic, established essentially to further strengthen the office of governor, which has long been one of the most powerful in the nation. Gov. Mike Foster once purged the commission when it approved a rate increase he didn't like. Later, however, Foster vetoed a bill transferring most of the commission's power to the elected commissioner of insurance

Having an elected commissioner of insurance and an independent rating body resulted in conflict and confusion. Rep. Joel Robideaux, I-Lafayette, says the rating commission was old and obsolete. A market-driven rate system offers a better chance of bringing more companies to Louisiana. That should mean lower rates.

While we recognize that eliminating the commission would please insurance companies and perhaps encourage more of them to operate here, we do not see it as the total solution to Louisiana's insurance problems. We need a comprehensive study of procedures aimed at determining what other factors may have contributed to the current crisis in insurance.

The Public Affairs Research Council proposed back in 1960 that the position of insurance commissioner be made appointive rather than elective. The council suggested it as a streamlining measure. Others have argued that it would be a safeguard against corruption. In recent years, we have seen three insurance commissioners in a row sent to prison. If the office is strengthened by transferring the responsibilities of the rating commission to it, temptation to misuse it might grow in the future.

The department's history is such that a comprehensive study of its operations should have been made years ago. Abolishing the rating commission makes this a good time for it.

State Sen. Mike Michot is among those legislators who agree that abolishment of the rating commission will allow the free market to take over, thus encouraging more companies to do business in Louisiana. The risk will be spread, he says, and ultimately will result in lower insurance rates.

State Rep. Don Trahan, R-Lafayette, is correct in his belief that the commission has been a hindrance to obtaining better insurance rates for consumers.

State Rep. Joel Robideaux, I-Lafayette, accurately identified Louisiana's position.

"We're obviously in an insurance crisis," he said. "We need to make the state as attractive as possible to lure more insurance companies."

We believe that can be accomplished now that the Insurance Rating Commission has been abolished.