

TECHNICAL ADVISORY

TA 95

August 22, 1996

SUBJECT: Louisiana Insurance Rating Commission Meeting of 8-21-96

- Effect of tort reform on rates
- Surety bond rating changes

MAIN POINTS: The 1996 special session of the Legislature resulted in several important tort reform measures. These included:

1. Restrictions on joint and several liability
2. Elimination of punitive damages
3. Elimination of strict liability
4. Reaffirmation of the liability cap for government agencies

The Louisiana Department of Insurance (LDOI) commissioned a study by the Tillinghast-Towers Perrin actuarial firm to study the impact of these tort reform measures on insurance rates in Louisiana. At the regular meeting of the Louisiana Insurance Rating Commission (LIRC) on Wednesday, August 21, 1996, the results of the actuarial study were released. The attached conclusion table presents the findings of the Tillinghast study. Additional information on the study may be obtained by contacting the LIRC at 504/342-5202.

The LIRC has notified insurance companies that all future liability rate filings will be deferred until some reduction of rates, as reflected by the Tillinghast study, are included in the rate filing. The LIRC indicated that they would consider the individual rate requests and factors for tort reform, based upon the unique circumstances of each rate filing.

In other action, the LIRC changed a long-standing position on rate filings for surety bonds. With very few exceptions, the LIRC has traditionally maintained a standard set of rates for most surety bonds. The new Rating Commission has taken the position that competitive rate filings in surety bonds will benefit consumers and are in the best interest of the marketplace. A number of surety bond scheduled rating plans and preferred bond rates were approved by the LIRC during the August 21 meeting.

NECESSARY ACTION: Each agency should contact its bond carriers to determine if they will file new rating plans.

As to the effect of tort reform of liability rates, IIAL will continue to monitor the situation closely, and will report as new developments occur.