



LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON
COMMISSIONER

BULLETIN NO. 08-01

**TO: ALL PROPERTY AND CASUALTY INSURANCE COMPANIES
THAT MARKET AND SELL COMMERCIAL AUTOMOBILE
LIABILITY INSURANCE TO PUBLIC CARRIER VEHICLES
(TAXIS), AS DEFINED BY LSA-R.S. 45:200.2(2)**

FROM : JAMES J. DONELON, COMMISSIONER OF INSURANCE

**RE: PUBLIC CARRIER VEHICLE (TAXI) LIABILITY INSURANCE
RATES**

DATE: July 14, 2008

The purpose of Bulletin No. 08-01 is to encourage competition among commercial automobile insurers writing public carrier vehicle liability insurance.

Definitions

Approved unauthorized insurer – an insurer without a certificate of authority, or otherwise qualified under the provisions of the Insurance Code, and which is on the list of approved unauthorized insurers under the provisions of R.S. 22:1262.1, and from which a licensed surplus lines broker may procure insurance under the provisions of R.S. 22:1257.

Authorized insurer – an insurer with a certificate of authority or license issued under provisions of the Insurance Code or otherwise qualified under R.S. 22:2071 et seq.

Benchmark rate – the \$295/month or \$3,540/year minimum rate for metropolitan New Orleans established by the Louisiana Insurance Rating Commission in the 1994-1995 time frame.

Commissioner – the Commissioner of Insurance.

LDOI – Louisiana Department of Insurance.

LIRC – Louisiana Insurance Rating Commission.

Public carrier vehicle – a taxi or any motor vehicle for hire, of any type, used to transport people.

Background

During the late 1980s and early 1990s the taxi insurance market was a difficult market for both the taxi owner and the insurance company writing public carrier vehicle (taxi) liability insurance. This was a period in which insurance companies, frequently taxi insurers, did not charge an adequate rate, did not make a reasonable profit, and withdrew from Louisiana's taxi market, sometimes due to insolvency. It was a period in which the taxi insurance market became virtually non-existent, such that public carrier vehicle (taxi) liability insurance became nearly impossible to obtain in the voluntary market. [Note that insurance was always available in the commercial assigned risk market but at significantly higher rates than in the voluntary market.]

At that time the LDOI was actively pursuing insurance companies to write taxi business. These efforts produced approximately ten companies that entered but subsequently left our taxi market in the late 1980s to mid-1990s. There were many reasons for these events which included a lack of control by the insurance companies over the premium collected and transmitted to the insurer.

In 1994 the LIRC addressed rate adequacy for taxi business by requesting two external studies to review the metropolitan New Orleans taxi market and provide an estimate of a presumed actuarially sound rate for taxis in metropolitan New Orleans. These studies and subsequent hearings held before the LIRC led to the LIRC establishing a benchmark rate restricting all future taxi rates in metropolitan New Orleans to a minimum, flat rate of \$295/month (\$3,540/year). [Note that the LIRC did not establish benchmark rates for any market other than the metropolitan New Orleans area.]

As long as the LIRC continued to exist, the LIRC reviewed these rates and the \$295/month (\$3,540/year) minimum benchmark rate was adhered to by companies writing taxi business in the metropolitan New Orleans area. Effective January 1, 2008, the Louisiana Insurance Rating Commission was abolished pursuant to Act 459 of the 2007 Regular Session of the Louisiana Legislature. Beginning January 1, 2008 all taxi rate filings are made to the Commissioner of Insurance.

There is a statutory obligation and public expectation that the Commissioner will encourage competition in all insurance markets, including taxi markets. There is also an obligation for the Commissioner to allow any insurance company seeking to write taxi business in Louisiana, particularly in the metropolitan New Orleans area, to do so at an adequate but not excessive rate level.

The Commissioner encourages commercial automobile insurers that write in the particular niche of the taxi business to provide insurance services with competitive rates to the taxi industry in Louisiana, particularly in the metropolitan New Orleans area. There is no statutory requirement that taxi rates in the metropolitan New Orleans area be set a minimum \$295/month (\$3,540.00/year) as was previously required by the LIRC over the past thirteen years.

Insurance companies writing taxi business should note that any authorized insurer or approved unauthorized insurer writing public carrier vehicle (taxi) liability insurance in Louisiana is required to file rates with the Commissioner as required by LSA-R.S. 22:1403(B)(2). There are no exceptions to this filing requirement.

All commercial automobile insurers writing taxi business in Louisiana are put on notice that the previous LIRC sanctioned benchmark rate of \$295/month (\$3,540.00/year) is no longer a minimum rate that an insurer must adhere to in its approved rate structure. However, any rate selected, even if it is \$295/month (\$3,540.00/year), must be supported by sound actuarial analysis and calculated by using approved rating plans and/or rules. Therefore, any insurer currently having a \$295/month (\$3,540.00/year) minimum rate is encouraged to review the actuarial soundness of that rate and, if warranted, file a lower, yet actuarially adequate, rate with the Commissioner for review and approval.

It is common practice among taxi owners/drivers to request "down time" when a taxi is not in use for a period of time. One example of "down time" is when a taxi owner/driver goes on vacation and, during this time, is not servicing the consumer who needs the service of the taxi market. Another example of "down time" is when a taxi is in the shop for an extended period of time due to needed repairs and maintenance. Typically, a taxi placed in "down time" is out of service for at least two weeks.

When a taxi is placed in "down time" status, the insurer will collect no premium on that taxi for the documented "down time" period. The adjustment to premium is generally on a pro-rata basis for any month where "down time" is requested.

"Down time" is reasonable and an insurer should allow for a premium adjustment due to the "down time" but only when the "down time" is properly documented as required by LSA-R.S. 32:861, et seq. When properly documented and executed, "down time" will benefit the taxi owner by providing needed relief from paying insurance premiums while the taxi is out-of-service. Further, properly documented "down time" will protect the insurance company by ensuring that premium is only collected when the taxi is operating and still has liability exposure in the market.

Notice

Accordingly, commercial automobile insurers and writers of taxi business are directed to adjust the policy premium for taxis placed in "down time" status but only when properly documented as required by LSA-R.S. 32:861, et seq.

Questions regarding Bulletin No. 08-01 should be directed to Charles Hansberry, Esq., Director of the Office of Property and Casualty, Rating Division, at 225-342-9055 and/or by email at chansberry@ldi.state.la.us.

Baton Rouge, Louisiana this 14th day of July, 2008.


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