Insurance Reform Remains Prime Acadiana Objective

Insurance reform has been one of the prime objectives of The Advertiser editorial series for the past two years and it appears that relief is in sight although there are still many obstacles to the day when a Lafayette citizen can pick up his auto insurance or homeowners premium without shuddering.

Lafayette has felt some relief with the improvement of its fire rating and we hope movement in the direction of improving the rating even more will continue. But the local homeowner will never enjoy the desired relief until the zone distinctions in the state are revamped.

Lafayette falls into the second highest zone under the current five-zone distinction. The five zones begin at the northern portion of the state and run horizontally across the state. Zone 1 at the top has the lowest premiums and Zone 5, the coastal zone, is the most expensive.

When the plan was put in, the coastal zone was stunned with a 62 per cent rate increase and Lafayette was hit with a 51 per cent increase.

One of the most refreshing proposals we have heard came from Insurance Commissioner Sherman Bernard. He advocates eliminating the five zone distinctions in the state and averaging the rates of all homeowners. Bernard claims that the plan will increase no one's policy by more than one per cent.

We applaud Bernard's actions of calling insurance companies in to explain excessive soaring profits and we cast a skeptical eye toward those who write Bernard off as a man who knows nothing about insurance. He has admitted that he is no insurance expert but he knows the rates are too high and he knows the public wants something done quickly.

Massachusetts motorists will have saved $100 million in automobile insurance premiums by the end of this year—a proud monument to "no-fault" coverage. It has become one of the few necessities of life in that state that costs less now than a few years ago.

One thing, of course, has to be kept clear. It costs less because it promises less. The auto insurance companies are collecting less money but clearly earning higher profits. The main cause of savings is the fact that no longer is pain and suffering automatically compensable. In more serious cases it is, but ordinarily unless medical bills are $500, it's no show; suffer the pain stoically and collect what is available from your own insurance carrier.

Massachusetts Insurance Commissioner John Ryan said his agency "absolutely" gets no public objections to the key feature in the no-fault law that is responsible for the savings: the elimination of much of the pain and suffering compensation plus the fact that the motorist normally goes to his own company for redress. He doesn't have to prove the other fellow at fault for the accident and, except in specific criminal cases, the motorist can recover statutory damages without any further ado. (Up to $2,000 per accident.)

Bernard cites the Florida no-fault plan, now in its second year of existence, which has already resulted in premium reductions totaling 26 per cent. He explained that of every insurance dollar, 58 cents is spent for operation of insurance companies and the remainder is used to pay claims. Bernard notes that a big chunk of the 42 cents is eaten up by trial lawyers.

Bernard claims that his insurance committee is studying four basic types of no-fault, including "pure" no-fault, "threshold" no-fault, "add-on" no-fault and state-run insurance. He prefers the threshold variety because it eliminates damage suits stemming from accidents in which only minor injuries are incurred.

The major advantage of no-fault plans being considered for Louisiana is a provision requiring all motorists to own auto insurance policies. One-fourth, or 425,000, of the 1.8 million cars owned by Louisiana residents are not currently insured, Bernard points out. Bernard feels that the passage of no-fault, giving his office the power to investigate and restructure rates charged by insurance companies and establishing mandatory credit life insurance will do much to correct insurance problems in the state.

We have always had our reservations about no-fault insurance and do not endorse either the Massachusetts or Florida plans although both have their good points. We would like to see all forms of no-fault studied and if none are good for Louisiana, then throw them out and let's write a plan that will help reduce rates.

We want insurance reform, lower rates for our area in all forms of insurance.

The Advertiser pledges to continue its fight for insurance reforms in Lafayette Parish and the entire state.

(Tomorrow: Community Involvement)