LOUISIANA LEGISLATIVE AUDITOR

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Report Highlights

Insurer Transactions with Affiliated Companies

Response to SR 159 of 2025

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Why We Conducted This Review

The Louisiana Senate adopted Senate Resolution 159 of 2025, which raised concerns about whether transactions between insurers and their affiliated companies affected the solvency of insurers, artificially inflated losses, or led to increased costs passed on to consumers. In response to these concerns, the resolution called for the legislative auditor and the Department of Insurance (LDI) to study and report on this topic, focusing on insurers writing coverage for residential property and private passenger auto insurance in Louisiana.

What We Found

We found that almost all insurers that sold personal lines insurance in Louisiana reported engaging in affiliate transactions. We analyzed financial data, rate filings, regulatory reviews, and examination findings to better understand the relationship between affiliate transactions and an insurer's solvency and affordability and to observe the regulatory environment that governs these transactions. Based on our analysis, we found the following:

- **Affiliate transactions accounted for an average of 5.4% of personal lines insurance premiums in Louisiana in 2021 through 2025, although this varied significantly between companies.** Almost all insurers, 99% of those that sold personal lines property and casualty insurance in Louisiana, had affiliate transactions. The most common transaction with affiliates was reinsurance, while shareholder dividends had the largest net impact across all insurers.

- **On average, insurers that engage in affiliate transactions have similar insurance rates for consumers, but those that have management agreement, service contract, and tax sharing arrangement transactions or assume reinsurance from affiliates are less likely to be very highly capitalized.** The correlation between affiliate transaction usage and capitalization ratios does not mean that these transactions inherently have a negative impact on solvency, but it does provide additional motivation for such transactions to be considered as part of solvency regulation. We recommend that LDI consider collecting and analyzing more data from insurers to better understand the relationship between affiliate transaction usage, risk assessment, and residual risk acceptance.

- **LDI disapproved three out of 36 affiliate transaction agreements submitted to it for prior approval and had examination findings related to affiliate transactions on seven of the 13 examinations it has conducted since 2021.** We recommend that LDI consider collecting additional data from insurers as part of the rate review process to ensure that rates are not excessive or inadequate.

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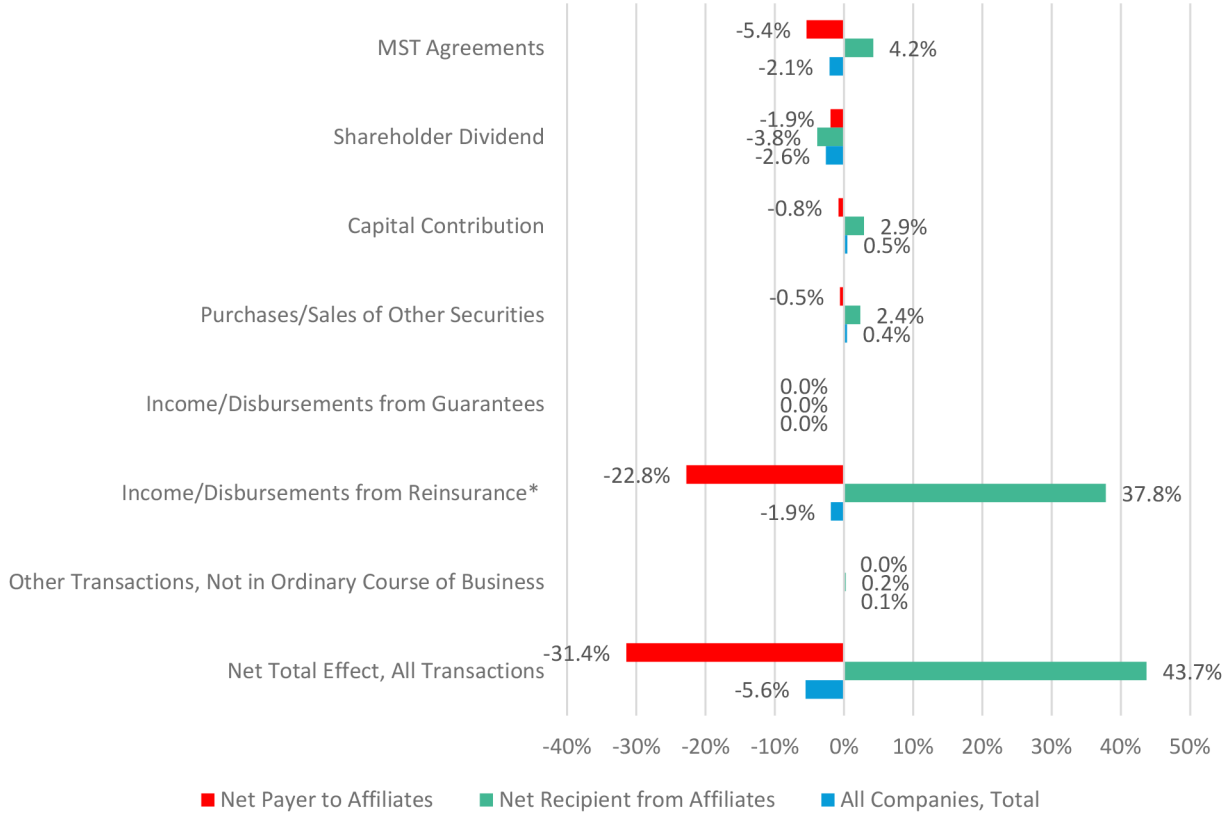
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What We Found (Cont.)

The exhibit below shows the average annual amount that insurers paid to their affiliates, as a percentage of direct premium written.

Net Payments from or to Affiliates, by Transaction Type
Calendar Year 2021-2025 Average, as a Percentage of Direct Premium Written



* Reinsurance amounts are estimated as described in the report. The other transaction types are as reported by insurers on Schedule Y, Part 2.
Note: "Net payer to affiliates" and "net recipient from affiliates" categories are based on the direction of the total net flow for all transaction types. Percentages for "receives payment" and "pays affiliate" will not total to the "total" percentage because the denominators are the direct premium written for each of those three categories. Amounts include worldwide, company-wide activities for insurers writing personal lines insurance in Louisiana.
Source: Prepared by legislative auditor's staff based on analysis of insurer annual statements.

View the full report, including management's response, at **www.lla.la.gov**.