R Street

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2015 INSURANCE REGULATION REPORT CARD

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INTRODUCTION

Welcome to the fourth edition of the R Street Institute's Insurance Regulation Report Card, our annual examination of which states do the best job of regulating the business of insurance.

R Street is dedicated to: "Free markets. Real solutions." Toward that end, the approach we apply in this annual survey is to test which state regulatory systems best embody the principles of limited, effective and efficient government. We believes states should regulate only those market activities where government is best-positioned to act; that they should do so competently and with measurable results; and that their activities should lay the minimum possible financial burden on policyholders, companies and ultimately, taxpayers.

There are three fundamental questions this report seeks to answer:

1. How free are consumers to choose the insurance products they want?
2. How free are insurers to provide the insurance products consumers want?
3. How effectively are states discharging their duties to monitor insurer solvency, police fraud and consumer abuse and foster competitive, private insurance markets?

The insurance market is both the largest and most significant portion of the financial services industry to be regulated almost entirely at the state level (health insurance benefits are something of an exception, as they increasingly come under federal regulation). While state banking and securities regulators largely have been preempted by federal law in recent decades, Congress reserved to the states the duty of overseeing the "business of insurance" as part of 1945's McCarran-Ferguson Act.

On balance, we believe states have done an effective job of encouraging competition and, at least since the broad adoption of risk-based capital requirements, of ensuring solvency.

As a whole and in most individual states, U.S. personal lines and workers' compensation markets are not overly concentrated. Insolvencies are relatively rare and, through the run-off process and guaranty fund protections enacted in nearly every state, quite manageable.

However, there are certainly ways in which the thicket of state-by-state regulations leads to inefficiencies, as well as particular state policies that have the effect of discouraging capital formation, stifling competition and concentrating risk. Central among these are rate controls.

While explicit price-and-wage controls largely have fallen by the wayside in most industries (outside of natural monopolies like utilities), pure rate regulation remains commonplace in insurance. Some degree of rating and underwriting regulation persists in nearly every one of the 50 states. This is, to a large degree, a relic of an earlier time, when nearly all insurance rates and forms were established collectively by industry-owned rate bureaus, as individual insurers generally were too small to make credible actuarial projections. McCarran-Ferguson charged states with reviewing the rates submitted by these bureaus because of concerns of anticompetitive collusion. With the notable exception of North Carolina, rate bureaus no longer play a central role in most personal lines markets, and many larger insurers now establish rates using their own proprietary formulas, rather than relying on rate bureau recommendations.

Regulation also may, in some cases, hinder the speed with which new products are brought to market. We believe innovative new products could be more widespread if more states were to free their insurance markets by embracing regulatory modernization. The most recent illustration of this challenge can be seen in the approaches different states have taken to enable the timely introduction of commercial and personal policies to cover risks associated with ridesharing, as well as the more limited initiatives in some states to foster private options for flood insurance. We believe an open-and-free insurance market maximizes the effectiveness of competition and best serves consumers.

For this year's report, we have adjusted the weightings of some categories and incorporated new data sets into our analysis, most notably in the use of capitalization ratios to gauge the solvency of property/casualty insurance markets. We also have jettisoned some factors – such as last year's category tracking states' adoption of various "regulatory modernization" initiatives – whose measurement, we concluded, ultimately required too many subjective judgment calls.

The changes no doubt alter the how some states would otherwise score, but a greater portion of the sometimes significant changes in this year's grades are a reflection of what appears to be notable shifts in the landscape of state insurance regulation. Reviewing the data on insurance in 2015, we see a mix of positive and negative trends.

States that for, for years, allowed excess risk to build up on the backs of taxpayers, such as Florida and Louisiana, have made profound progress in shrinking the size of their residual property insurance markets. The shift in Florida has been so notable, including the success of the "glide path" to bring the state-run Citizens Property Insurance Corp. back to actuarially appropriate rates, that we have reassessed how to score the rate-making freedom that state now extends to private insurers.

Even in the dysfunctional Michigan auto insurance market – where a misguided version of the "no fault" system requires all auto insurers to pay uncapped lifetime medical benefits – we can see light at the end of the tunnel. Reform efforts once again gained momentum, before ultimately falling short. But perhaps more notably, for the first time in years, Michigan auto insurers were able to collect more in premium than they paid out in claims.

We also see some markedly and alarmingly negative trends. To start, North Carolina's residual markets – both in the home and auto insurance markets – continued to grow, bucking Florida's example. Lawmakers in Texas and Hawaii also passed legislation that would allow their residual property insurance markets to grow larger still.

There was a renewed push by consumer groups and some regulators to limit the use of factors like credit, education, occupation and marital status in underwriting and rate-setting, despite demonstrated proof that these factors are predictive of risk. Relatedly, a practice that would hardly raise an eyebrow in other industries – considering the elasticity of consumer demand in setting prices – prompted a raft of regulatory bulletins and calls to ban the practice of so-called "price optimization."

In Oklahoma, an elected insurance commissioner issued what appears to be a politically motivated threat to crack down on insurers who invoke exclusions of man-made earthquake claims in cases where the underwriters believe they were related to deep-well injections.

And even in Illinois, long a free-market beacon for allowing rates to be determined purely by market forces, the state's General Assembly came awfully close to voting in a prior-approval system for workers' compensation insurance.

The regulatory landscape is changing. We hope this report captures how those changes may impact both the industry and insurance consumers in the days to come.

PART I – THE YEAR IN INSURANCE REGULATION

National and Federal Developments

- After the federal Terrorism Risk Insurance Program briefly lapsed for two weeks at year-end 2014 due to congressional inaction, President Barack Obama signed H.R. 26, the Terrorism Risk Insurance Program Reauthorization Act of 2015.[1] The law extends the $100 billion federal terrorism reinsurance backstop through Dec. 31, 2020, with a number of tweaks. The program's trigger for backstop coverage is gradually raised from $100 million to $200 million; the government's required minimum recoupment from the insurance industry is gradually raised from $27.5 billion to $37.5 billion; and the surcharge applied to any recouped payments is raised from 133 percent to 140 percent. The bill also creates the long-contemplated National Association of Registered Agents and Brokers, first proposed as part of the Gramm-Leach-Bliley of 1999. NARAB is to be a federally chartered nonprofit corporation, charged with establishing standards for interstate licensing of insurance agents and brokers. NARAB's 13-member board, which will include eight state insurance commissioners, is to be appointed by the White House, subject to U.S. Senate confirmation. However, while the law calls for appointments to be made within 90 days of enactment, as of mid-November 2015, no appointments had been made.

- Alleviating what had been a major source of interindustry friction, major representatives of the insurance industry and the burgeoning transportation network companies in March announced agreement on compromise model legislation to govern insurance requirements for ridesharing.[2] The model requires that liability insurance with limits of $1 million be in-force any time a driver either is actively transporting a customer or en route to pick up a fare. Any other time the driver is logged in to the TNC service, he or she must have coverage with minimum liability limits of $50,000 per passenger, $100,000 per incident and $25,000 for physical damage liability. The model would permit coverage to be procured either by the driver or the TNC, expressly stipulates that it may be provided by the surplus lines market, preserves insurers' right to exclude coverage and encourages states to approve new products to cover this emerging risk. Signatories to the compromise include Allstate, the American Insurance Association, Farmers Insurance, Lyft, the National Association of Mutual Insurance Companies, the Property Casualty Insurers Association of America, State Farm, Uber Technologies and USAA.

- Responding to concerns raised by consumer groups, a number of states issued bulletins proscribing the use of so-called "price optimization" strategies in personal-lines ratemaking. The practice is not precisely defined, but is generally understood to involve crafting rates with an eye toward an individual consumer's likelihood to shop for replacement coverage, which consumer advocates and some regulators charge violates existing bans on "unfairly discriminatory" rates. The NAIC's Casualty Actuarial and Statistical Task Force has drafted a white paper which recommends that states more closely monitor whether insurers are adjusting rates based on factors other than risk.[3]

- Following recent state-level bills in Florida and other states to encourage a private market for flood insurance products, Reps. Dennis Ross and Patrick Murphy, both R-Fla., in June introduced H.R. 2901, the Flood Insurance Market Parity and Modernization Act.[4] The bill would defer to state insurance regulators determinations about whether privately issued flood insurance should be considered eligible to meet various federal lending requirements. A Senate version, S.1679, was introduced by Sen. Dean Heller, R-Nev. In a related development, Florida Insurance Commissioner Kevin McCarty pressed the Federal Emergency Management Agency to disclose data it uses in setting National Flood Insurance Program rates.[5] Private insurers have expressed interest in public access to that data to help them craft their own flood-insurance products.

- The U.S. House in November approved H.R. 1478, the Policyholder Protection Act, by a unanimous voice vote.[6] Sponsored by Reps. Bill Posey, R-Fla., and Brad Sherman, D-Calif., the bill would preserve state insurance regulators' right to "wall off" the policyholder assets of an insurer whose parent financial

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1. Josh Earnest, "STATEMENT BY THE PRESS SECRETARY ON H.R. 26," White House Office of the Press Secretary, Jan. 12, 2015. https://www.whitehouse.gov/the-press-office/2015/01/12/statement-press-secretary-hr-26

2. Justin Kintz, "Insurance Aligned," Uber Blog, March 24, 2015. http://newsroom.uber.com/2015/03/introducing-the-tnc-insurance-compromise-model-bill/

3. Thomas Harman, "NAIC Panel Wrestles with Price Optimization in White Paper Draft," BestWire, Aug. 17, 2015. http://www3.ambest.com/ambv/bestnews/newscontent.aspx?altsrc=23&refnum=185350

4. Press release, "ROSS, MURPHY FLOOD INSURANCE LEGISLATION CREATES ROBUST MARKET TO LOWER RATES," Office of Rep. Patrick Murphy, June 25, 2015. http://patrickmurphy.house.gov/news/documentsingle.aspx?DocumentID=398614

5. Press release, "Insurance Commissioner Requests Rate Information from the National Flood Insurance Program," Florida Office of Insurance Regulation, Oct. 2, 2015. http://www.floir.com/PressReleases/viewmediarelease.aspx?id=2120

6. Press release, "NAIC APPLAUDS PASSAGE OF POLICYHOLDER PROTECTION ACT," Nov. 17, 2015. http://www.naic.org/Releases/2015_docs/naic_applauds_passage_of_policyholder_protection_act.htm

TABLE I: BANK AND THRIFT AFFILIATES OF U.S. INSURANCE COMPANIES

Bank or Thrift	Insurance Group	Total Assets ($000) *	Total Deposits ($000) *
USAA Federal Savings Bank	USAA	70,236,783	62,995,318
State Farm Bank FSB	State Farm	16,609,582	10,747,769
Mutual of Omaha Bank	Mutual of Omaha	6,742,604	5,463,034
Nationwide Bank	Nationwide Mutual	6,429,358	5,124,068
Optum Bank Inc.	UnitedHealth Group	3,771,623	2,906,393
First American Trust FSB	First American Financial	2,977,140	2,729,616
Principal Bank	Principal Financial	2,157,804	1,966,694
TIAA-CREF Trust Co. FSB	TIAA-CREF	2,585,518	1,721,109
Westfield Bank FSB	Ohio Farmers Insurance	987,502	805,727
Farm Bureau Bank FSB	FB BanCorp	698,195	615,649
MidCountry Bank	Alfa Mutual	715,397	559,081
Union Community Bank	Donegal Mutual	505,176	395,890
MWABank	Modern Woodmen	258,306	204,703
PNA Bank	Polish National Alliance	95,938	89,964
Auto Club Trust FSB	Auto Club Insurance	130,779	84,049
MassMutual Trust Co. FSB	Massachusetts Mutual	70,445	50,500
NwM Wealth Mgmt	Northwestern Mutual	185,076	50,500
Thrivent Trust	Thrivent Financial	10,460	2,000
COUNTRY Trust Bank	Illinois Agricultural Assoc.	28,616	635
Prudential Bank & Trust FSB	Prudential Financial	17,904	504
AIG FSB	AIG	19,046	500
Ameriprise NTB	Ameriprise Financial	38,791	500
Everence Trust	Everence Association	5,951	500
Securian Trust Co. NA	Minnesota Mutual	13,598	0

*As of March 31, 2015
SOURCE: SNL Financial

services holding company is subject to resolution by the Federal Deposit Insurance Corp. These include both holding companies that include banks and thrifts (see Table 1) and those designated as "systemically important" by the Financial Services Oversight Council (a group that currently includes MetLife, Prudential and American International Group). Similar legislation, S. 798, was introduced in March by Sens. David Vitter, R-La., and Jon Tester, D-Mont., and was one of the bills under discussion during an April 30 hearing of the Senate Banking Committee.[7]

- The National Association of Insurance Commissioners promulgated a draft accreditation plan for how states regulate insurers' market conduct.[8] Like the group's model solvency-regulation program, the plan would call for states to adopt "substantially similar" standards to enjoy continued accreditation by the regulator group, including in the areas of insurance department resources, market analysis, market conduct exams and collaboration between jurisdictions. First exposed for comment at the group's spring 2015 meeting, it is targeted for final approval at some point in 2016.

- The National Conference of Insurance Legislators at its November annual meeting readopted credit-scoring model act, first promulgated in 2002.[9] The model legislation is designed to protect consumers while enabling insurers to utilize a highly predictive underwriting tool. To date, 30 states have adopted the model in its entirety, while another 17 have adopted some version based on its text.

- The First Circuit Court of Appeal of Louisiana ruled in July that the federal Liability Risk Retention Act preempted the state's "direct action" statute in suits

7. Hearing, "Examining Insurance Capital Rules and FSOC Process," U.S. Senate Committee on Banking, Housing & Urban Affairs, April 30, 2015. http://www.banking.senate.gov/public/index.cfm/hearings?ID=b890d259-519d-47c6-bfc3-aac8b4ac6561

8. Thomas Harman, "Industry Groups Encouraged by First NAIC Market Conduct Accreditation Draft," BestWire, March 30, 2015. http://news.ambest.com/newscontent.aspx?AltSrc=97&refnum=181447

9. Ian Adams, "Readopted Credit-Scoring Model Highlights NCOIL's Annual Meeting," *Insurance Journal*, Nov. 9, 2015. http://www.insurancejournal.com/blogs/right-street/2015/11/19/389525.htm

filed against out-of-state risk retention groups.[10] The Louisiana law ordinarily permits insureds to file suit against liability insurers in connection with claims incurred in Louisiana on policies issued in the state. The 29-year-old federal law exempts RRGs from most state-based regulation.

State-by-State Developments

Alabama – In July, Gov. Robert Bentley appointed a working group to study ways to lower property insurance rates in the state's coastal region, with a report scheduled to be delivered by Dec. 31.[11] Among the options under consideration is a multistate "coastal zone" in which carriers would offer both wind and flood insurance.

Alaska – In March, the state House Labor & Commerce Committee approved H.B. 164, a measure to bring the Alaska's prudential oversight of insurers and their holding companies in line with accreditation standards promulgated by the NAIC.[12] The measure was returned to the House Rules Committee and has not received a full floor vote.

Arizona – In October, Gov. Doug Ducey appointed former Arizona House Speaker Andy Tobin, R-Paulden, to be the state's new insurance director.[13] Tobin had served since January as director of the state Weights and Measures Department, which is being sunset. As director of the Department of Insurance, he succeeded succeed Germaine Marks, who had served since 2012.

California – In February, Insurance Commissioner Dave Jones handed down an order to 750 insurance groups to cease "price optimization" strategies in their rate-making and granting them six months to file new rates that eschew the practice.[14]

The Sacramento Superior Court in January denied an industry lawsuit brought by Mercury Casualty Co. and five insurance trade associations seeking to challenge rules promulgated under the state's Proposition 103 regulatory regime that limit the amount of marketing costs that may be passed on to consumers.[15] The California Department of Insurance subsequently issued a $27.5 million fine to Mercury for charging consumers "unapproved" fees between 1999 and 2004.[16]

In August, auto insurer Geico agreed to a $6 million settlement with the department to resolve a petition filed by the Consumer Federation of California charging the insurer with discrimination in granting discounts to insureds who were married and held bachelor's degrees.[17]

Also in August, the California Supreme Court unanimously struck down existing clauses in liability insurance policies that required insurer consent before benefits may be assigned to third parties. The state's high court ruled that policyholders have a statutory right to transfer prior losses.[18]

However, the industry did score one significant legal victory over the department. In April, the state Court of Appeal's Second Appellate District upheld a trial court verdict that Jones lacked statutory authority to promulgate rules in 2011 that explicitly prescribed insurers' methods to calculate replacement costs in homeowners insurance policies.[19] An appeal by Jones currently is pending before the California Supreme Court.[20]

Connecticut – The General Assembly's Joint Committee on Insurance and Real Estate approved H.B. 5195, a bill to make uninsured- and underinsured-motorist coverage optional.[21] Sponsored by Rep. Rob Sampson, R-Wolcott, the committee's ranking member, the measure also would lift the state's prohibition on subrogation for underinsured motorist benefits paid or payable by an insurer. It received a thumbs-up from the Legislative Commissioners' Office in April, but has

10. Jennifer Hawkins, "NRRA and Allied Professionals Announce another AMICUS Victory," USA RiskBlog, July 17, 2015. http://www.usarisk.com/nrra-and-allied-professionals-announce-another-amicus-victory

11. Michael Finch, "Governor appoints group to study coastal insurance Report due by Dec. 31 on possible multi-state insurance, other issues," *Mobile Register*, July 8, 2015. http://www.al.com/business/index.ssf/2015/07/gov_bentley_appoints_work_grou.html

12. Press release, "HB 164: INSURANCE; RISK MG'T; HOLDING COMPANIES," Alaska State House of Representatives, March 25, 2015. http://www.housemajority.org/2015/03/25/sponsor-statement-hb-164-2/

13. ADI News Services, "Ducey Names Tobin Insurance Director," *Arizona Daily Independent*, Oct. 9, 2015. https://arizonadailyindependent.com/2015/10/09/ducey-names-tobin-insurance-director/

14. Press release, "Insurance Commissioner notifies insurers to cease illegal pricing," California Department of Insurance, Feb. 18, 2015. http://www.insurance.ca.gov/0400-news/0100-press-releases/2015/release022-15.cfm

15. Press release, "Court rejects insurance industry challenge to Proposition 103 protections," California Department of Insurance, Jan. 21, 2015. http://www.insurance.ca.gov/0400-news/0100-press-releases/2015/release006-15.cfm

16. Marc Lifsher, "California fines Mercury for unapproved fees; The company will pay a record $27.5 million, the state insurance commissioner says," *Los Angeles Times*, Jan. 13, 2015.

17. Jonathan Stempel, "Geico to pay $6 mln to settle rate discrimination charges," Reuters, Aug 24, 2015. http://www.reuters.com/article/2015/08/24/geico-settlement-idUSL1N10Z2JV20150824#KFKlu12A2rxFFrAw.97

18. Frank Klimko, "California Supreme Court Rules against Hartford, Strikes Down Assignment Barriers," BestWire, Aug. 31, 2015. http://www3.ambest.com/ambv/bestnews/newscontent.aspx?AltSrc=23&RefNum=185629

19. Thomas Harman, "California Court Says State Lacked Authority to Issue Replacement Cost Consumer Protection Rules," BestWire, April 13, 2015. http://www3.ambest.com/ambv/bestnews/newscontent.aspx?AltSrc=62&refnum=181780

20. Press release, "California Supreme Court Accepts Case on Replacement Cost Regs," Independent Insurance Agents & Brokers of California, July 23, 2015. http://www.iiabcal.org/tertiary.asp?id=7661&parentid=1632

21. Mara Lee, "BILL WOULD MAKE COVERAGE OPTIONAL; UNINSURED-MOTORIST POLICIES," *Hartford Courant*, April 25, 2015. http://www.courant.com/business/hc-uninsured-motorist-coverage-bill-20150424-story.html

seen no legislative action since being referred to the House Judiciary Committee in May.

The Joint Committee on Insurance and Real Estate in February also approved a measure – H.B. 5361, sponsored by Rep. Brenda Kupchick, R-Fairfield – that would bar insurers from considering in any way the breed of a policyholder's dog in underwriting or rate-setting of homeowners or renters insurance policies.[22] The bill likewise received a favorable report from the Legislative Commissioners' Office (the General Assembly's nonpartisan legal office), but has yet to move to a floor vote by the full House.

Delaware – Insurance Commissioner Karen Weldin Stewart announced in an October bulletin that she would forbid the use of "price optimization" in setting rates for auto and homeowners insurance policies.[23]

Florida – The biggest insurance news in the Sunshine State this year is the massive pace of efforts to shrink the state-run Citizens Property Insurance Corp. Over the course of the year, the Florida Office of Insurance Regulation approved 1,321,193 policies for takeouts, with the most recent approval in early November for 127,266 personal policies and 3,268 commercial policies to be taken out in January 2016.[24] Since peaking at 1.5 million policies in 2007, Citizens is now down to about 600,000 policies, its smallest size since it was created in 2003. Moreover, the "glide path" to return Citizens to actuarially appropriate rates appears to be nearing its end. In September, the OIR approved a statewide average rate increase of 1.8 percent for multiperil homeowners insurance policies and 8.3 percent for wind-only policies, set to take effect in February 2016.[25]

However, the takeout process has not been received well in all corners. Some consumers report confusion about the terms of takeouts and being barraged with letters from takeout carriers. The Legislature passed H.B. 1087, which would have allowed policyholders to elect to receive no more than one takeout offer every six months; required Citizens to send several private takeout offers at once, to allow consumers to compare rates; and to clarify that consumers could rejoin Citizens if the takeout insurer's rates increased by more than 10 percent in the first three years. Gov. Rick Scott vetoed the bill in June.[26]

There also was some progress in reducing the risk to taxpayers posed by the state's other massive government-run insurance mechanism, the Florida Hurricane Catastrophe Fund. Given hugely attractive pricing in the global reinsurance market, the fund was cleared in March to transfer up to $2.2 billion in what amounts to retrocessional reinsurance coverage.[27] However, Gov. Scott, Attorney General Pam Bondi and Chief Financial Officer Jeff Atwater – who together comprise the State Board of Administration, which oversees the Cat Fund – insisted that they retain final authority to approve or reject any deal in the future.[28]

Another of the state's most contentious insurance issues – assignment-of-benefits disputes – likely will be punted to the next legislative session. In June, Florida's 1st District Court of Appeal upheld the OIR's denial of a request by Security First Insurance Co. to restrict policyholders from assigning benefits to third parties without the insurer's approval. The court later refused Security First's request to rehear the case and declined to certify the question to the state Supreme Court.[29] In the decision, Judge Scott Makar wrote "that it is for the legislative branch to consider this public policy problem, not the courts, at this juncture."

Following a national trend, Insurance Commissioner Kevin McCarty issued a memorandum in May ordering that insurers using price optimization in rates already in effect "should submit a filing to eliminate that use" and that companies "should ensure that any filings subsequent to the date of this memorandum do not utilize price optimization in any manner."[30]

Meanwhile, speaking at the Florida Chamber of Commerce Insurance Summit, McCarty made headlines by proposing the state might want simply to abandon the no-fault auto insurance system it has had since the 1970s, particularly given that reforms passed in 2012 remain under challenge in the

22. David Moran, "State Rep. Wants To Take Dog Breed Out Of Homeowners Policy Equation," *Hartford Courant*, Feb. 1, 2015. http://www.courant.com/politics/hc-legislative-homeowners-dog-restrictions-20150122-story.html

23. Press release, "INSURANCE COMMISSIONER STEWART ISSUES BULLETIN PROHIBITING PRICE OPTIMIZATION," Office of the Delaware Insurance Commissioner, Oct. 15, 2015. http://news.delaware.gov/2015/10/15/insurance-commissioner-stewart-issues-bulletin-prohibiting-price-optimization/

24. Cindy Barth, "State regulator OKs removal of 130,534 policies from Citizens," *Orlando Business Journal*, Nov. 6, 2015. http://www.bizjournals.com/orlando/morning_call/2015/11/state-regulator-oks-removal-of-130-534-policies.html

25. Jim Turner, "Citizens insurance-rate hikes approved for 2016," News Service of Florida, Sept. 9, 2015. http://www.orlandosentinel.com/business/os-nsf-citizens-insurance-rate-florida-approved-20150909-story.html

26. Editorial, "Scott's Citizens veto fails state's homeowners," *Palm Beach Post*, June 23, 2015. http://www.mypalmbeachpost.com/news/news/opinion/editorial-scott-veto-of-citizens-bill-fails-florid/nmh4Z/

27. Steve Bousquet, "Florida Cabinet approves buying $2.2 billion more in catastrophe insurance," *Tampa Bay Times*, April 14, 2015. http://www.tampabay.com/news/politics/stateroundup/florida-cabinet-approves-buying-22-billion-more-in-catastrophe-insurance/2225468

28. Steve Bousquet, "Gun-shy governor, Cabinet balk at transfer of hurricane risk," *Tampa Bay Times*, March 24, 2015. http://www.tampabay.com/news/politics/stateroundup/gun-shy-governor-cabinet-balk-at-transfer-of-hurricane-risk/2222665

29. News Service of Florida, "Court says lawmakers must sort out benefits issue," Orlando Sentinel, Oct. 27, 2015. http://www.pressreader.com/usa/orlando-sentinel/20151027/281831462593214/TextView

30. Charles Elmore, "Florida bans 'price optimization'; Insurers are told not to set different prices based on which consumer is more likely to shop around," *Palm Beach Post*, May 16, 2015. http://www.mypalmbeachpost.com/news/news/florida-becomes-4th-state-to-ban-controversial-ins/nmHHm/

courts and have failed to produce any notable consumer savings.[31] Rather than transitioning to a more litigious system of bodily injury coverage, McCarty proposed that Florida could simply follow the example of New Hampshire, where insurance coverage is completely optional for the overwhelming majority of drivers. [32]

Those comments put him in conflict with his nominal boss, Gov. Scott, who has urged patience in waiting for the reforms to work. But earlier in the year, tension between the two was made evident when Scott publicly called for replacing McCarty. Scott's office confirmed in January that it had sought to talk to Ron Henderson, Louisiana's deputy insurance commissioner for consumer advocacy, about the job.[33] However, Scott would need approval from Chief Financial Officer Jeff Atwater and at least one other member of the state Cabinet to make such a move, and Atwater declared publicly that he was not prepared to consider the idea.[34]

Georgia – In April, the state became the first to pass the compromise model ridesharing bill agreed to in March by several major insurers, insurance trade associations, Uber and Lyft.[35] The measure, H.B. 190, takes effect Jan. 1, 2016. It was signed by Gov. Nathan Deal in May.

Hawaii – David Ige signed Act 32 into law in May, requiring the residual market Hawaii Property Insurance Association to lift its moratorium on issuing new policies in higher-risk lava zones.[36] The law would allow the HPIA to issue another moratorium of no more than six months should another lava flow threaten the state. Private insurers are not required to issue policies within the high-risk zones, but all of the state's property insurers are required to be members of the HPIA and may be assessed for its claims.

Illinois – In June, the Illinois House of Representatives passed H.B. 1287 by a 63 to 39 margin.[37] It would carve out an exception from the state's competitive rating law for workers' compensation insurance, creating a prior-approval system of regulation for workers' comp. Insurers would submit rates to the Department of Insurance, which would have up to 30 days to approve them. The bill was referred in October to the state Senate, which has yet to act.

The House also voted 107 to 1 in April to approve H.B. 3382. The bill, which has yet to move in the state Senate, would create a $1-per-policy fee to fund creation of an auto-theft task force.[38]

Gov. Bruce Rauner in June appointed Anne Melissa Dowling, previously Connecticut's acting insurance commissioner, to serve as director of the Illinois Department of Insurance.[39] She succeeded Andrew Boron, who had been appointed to the post in 2012.

Indiana – Insurance Commissioner Stephen Robertson in July ordered a halt to the use of "price optimization" techniques in insurance rate-making, granting insurers 90 days to resubmit new rate filings for any products that currently make use of the practice.[40]

Iowa – In May, Gov. Terry Branstad signed H.F. 504, a measure to allow the state Department of Transportation to contract out creation and maintenance of a database of motor-vehicle-insurance information.[41] Insurers would have to share their records of insured drivers with the contractor or risk civil penalties. Drivers found to be uninsured would need to get new registration for the vehicle and pay a $100 administrative fee.

Louisiana – Citing privacy concerns, Gov. Bobby Jindal in June vetoed S.B. 250, which would have established a statewide pilot program to use license-plate readers to catch uninsured motorists.[42]

Insurance Commissioner Jim Donelon was easily re-elected to a fourth term in the state's "jungle primary" in October, defeating three challengers.

31. Charles Elmore, "PIP repeal: Insurance chief asks, 'why not?'; Multiple tries at reform have had little effect on fraud-laden system," *Palm Beach Post*, Oct. 29, 2015. http://protectingyourpocket.blog.palmbeachpost.com/2015/10/28/kill-no-fault-system-replace-with-nothing-fla-regulator-suggests/

32. It can be required for those convicted of driving while intoxicated or certified as a habitual offender. See New Hampshire Division of Motor Vehicles, "Insurance Requirements/SR-22," accessed Nov. 20, 2015. http://www.nh.gov/safety/divisions/dmv/financial-responsibility/insurance.htm

33. Steve Bousquet, "Purge of McCarty started early," *Tampa Bay Times,* Jan. 27, 2015. http://www.tampabay.com/blogs/the-buzz-florida-politics/report-gov-scott-sought-to-replace-mccarty-with-louisiana-official/2215163

34. Jim Turner, "Atwater not ready to replace insurance commissioner," News Service of Florida, Jan. 27, 2015

35. Thomas Harman, "Georgia Becomes First State to Pass Model Compromise Ridesharing Bill," BestWire, April 9, 2015. http://www3.ambest.com/ambv/bestnews/newscontent.aspx?refnum=181748&AltSrc=23

36. Leila Fujimori, "Homeowner's insurance again available in lava area," *Honolulu Star-Advertiser*, June 10, 2015. http://www.staradvertiser.com/s

37. Mark Fitton, "House passes workers comp bill," Illinois News Network, June 4, 2015. http://ilnews.org/4905/house-passes-workers-comp-bill/

38. Brian Brueggemann, "Haine: Bill would fund auto-theft task force," *Belleville News-Democrat*, May 13, 2015. http://www.bnd.com/news/local/article20813343.html

39. Thomas Harman, "Connecticut Interim Commissioner Named New Illinois Insurance Director," BestWire, June 1, 2015. http://www3.ambest.com/ambv/bestnews/newscontent.aspx?AltSrc=13&RefNum=183322

40. Thomas Harman, "Indiana Orders Halt to Use of Price Optimization by Personal Lines Insurers," BestWire, July 21, 2015. http://www3.ambest.com/ambv/bestnews/newscontent.aspx?altsrc=23&refnum=184752

41. Terry Branstad, "House File 504," Office of the Governor of Iowa, May 22, 2015. https://governor.iowa.gov/bills/house-file-504

42. Press release, "Governor Jindal Signs Bills into Law and Issues Vetoes," Office of the Governor, June 19, 2015. http://gov.louisiana.gov/index.cfm?md=newsroom&tmp=detail&articleID=4998

Maine – Insurance Superintendent Eric Cioppa issued a bulletin in August clarifying that, while such "practices as capping or transitional pricing" are legal if applied on a group basis, all rate classifications must be based strictly on risk of loss and not consider willingness to pay or demand elasticities.[43] He gave companies 60 days to refile any rates that incorporated "price optimization" strategies.

Maryland – Al Redmer Jr., who previously served as Maryland's insurance commissioner from June 2003 to October 2005, was appointed in January by Gov. Larry Hogan to resume his old job.[44]

Massachusetts – Mortgage lenders in the Commonwealth are now only permitted to require flood insurance on the outstanding portion of a mortgage loan, and not the full replacement value of the property, under rules that took effect Sept. 11.[45] The regulations were promulgated by the Division of Banks under legislation signed by former Gov. Deval Patrick in 2014.

In April, veteran Division of Insurance attorney Daniel Judson was appointed the Commonwealth's insurance commissioner, succeeding Joseph Murphy.[46]

Michigan – The perennial debate over how to reform Michigan's no-fault auto insurance system – which, uniquely among the 50 states, requires insurers to provide uncapped lifetime medical benefits – once again dominated the legislative session.

The good news was that the cost to provide that uncapped coverage dipped a bit. In March, the Michigan Catastrophic Claims Association – the state-run reinsurance association which covers the costliest medical-benefits claims – announced that its special annual assessment on policy holders would drop $36 to $150 per vehicle in the 2016 fiscal year.[47] In part, this was due to a change in the MCCA's structure that took effect in July, as auto insurers are now responsible for claims of up to $545,000, up from $530,000 previously.

43. Thomas Harman, "Maine, DC Bulletins Prohibit Price Optimization Use in Setting Property/Casualty Rates," BestWire, Aug. 31, 2015. http://www3.ambest.com/ambv/bestnews/newscontent.aspx?refnum=185626&URATINGID=520080&MCToken=147166192234248281811812292032432278352533 7&altsrc=23

44. Young Ha, "Redmer to Return as Maryland's Insurance Commissioner," *Insurance Journal*, Dec. 31, 2014. http://www.insurancejournal.com/news/east/2014/12/31/351504.htm

45. J. Catherine Rollins, "State changes flood insurance rules," Massachusetts Municipal Association, Aug. 31, 2015. https://www.mma.org/economic-a-community-development/15275-state-changes-flood-insurance-rules

46. Press release, "SECRETARY ASH WELCOMES NEW COMMISSIONER AT THE DIVISION OF INSURANCE," Executive Office of Housing and Economic Development, April 27, 2015. http://www.insurancejournal.com/news/east/2015/04/27/365730.htm

47. Gary Heinlein, "State insurance fee to drop $36 per vehicle," *The Detroit News*, March 26, 2015. http://www.detroitnews.com/story/news/politics/2015/03/25/michigan-auto-insurance-fee-drop-vehicle/70443310/

In April, the state Senate voted 21 to 17 to pass S.B. 248, a comprehensive reform measure that would, among other things, tie auto-insurance reimbursement rates to a fee schedule.[48] It also would create a Michigan Automobile Insurance Fraud Authority and limit to $15 an hour required reimbursements for attendant care provided by family members who aren't medical professionals. Unlike prior reform efforts, the measure did not propose capping overall medical benefits.

Initially, the version passed by the Senate Insurance Committee tied reimbursements to the state's workers' compensation fee schedule.[49] On the Senate floor, the measure was amended to tie reimbursements to an average of what the state's commercial health insurers paid.

The measure then moved to the House was passed by the House Insurance Committee with a number of changes.[50] Among them was that reimbursements now would be set at 150 percent of Medicare's rates. The House bill also required insurers to roll back rates by $100 per policy and keep them at that level for two years. Alas, forward progress stopped there and the full House has taken no action on S.B. 248.

In its stead came S.B. 288, the legislative vehicle to create Detroit Mayor Mike Duggan's proposed "D-Insurance" plan. Under the legislation, residents of Michigan cities with more than 500,000 residents and where more than 35 percent of drivers are uninsured would be eligible to buy policies that provide just $250,000 of hospital coverage and another $25,000 of outpatient coverage.[51] The $250,000 minimum coverage would match limits in New Jersey, the second-highest in the country after Michigan's uncapped benefits requirement. But after passing the Senate Insurance Committee by a 5-3 vote in June, the bill has languished.[52] The 46-member House Democratic Caucus also announced unanimously that they oppose the plan.[53]

48. Vera Hogan, "Myths busted about no-fault auto insurance reform bill," *Tri-County Times*, May 15, 2015. http://www.tctimes.com/living/features/myths-busted-about-no-fault-auto-insurance-reform-bill/article_a766ef56-fb3d-11e4-ba64-4f861f365cc4.html

49. Emily Lawler, "One fee schedule is complicating no-fault reform," *Bay City Times*, April 28, 2015. http://www.mlive.com/lansing-news/index.ssf/2015/04/how_one_fee_schedule_is_compli.html

50. David Eggert, "Auto insurance bills changed to require $100 premium cut," *Associated Press*, April 23, 2015. http://www.crainsdetroit.com/article/20150423/NEWS01/150429916/michigan-auto-insurance-bills-changed-to-require-100-premium-cut

51. Paul Egan, "New cut-rate auto insurance plan could extend to more cities," *Detroit Free Press*, June 4, 2015. http://www.freep.com/story/news/local/2015/06/03/revised-cut-rate-auto-insurance-plan-extend-beyond-detroit/28424467/

52. Matt Helms, "Detroit plan for car insurance stalls," *Detroit Free Press*, Sept. 24, 2015. http://www.freep.com/story/news/local/michigan/detroit/2015/09/23/duggan-expresses-frustration-stalled-d-insurance/72708338/

53. Christine Ferretti and Chad Livengood, "D-Insurance loses Dem support," *The Detroit News*, June 10, 2015.

In other news, Gov. Rick Snyder announced in April that Pat McPharlin, previously CEO of the Michigan State University Federal Credit Union, would serve as new director of the Michigan Department of Insurance and Financial Services, succeeding Ann Flood, who had headed the department since October 2013.[54]

Minnesota – A pair of companion bills that look to crack down on fraud in no-fault auto insurance – introduced in the Senate by Sen. Vicki Jensen, DFL-Owatonna and in the House by Rep. Tim Sanders, R-Blaine – moved through several committees earlier this year before appearing to fizzle out. The bills would create a 30-day cooling-off period before accident reports could be accessed publicly.[55] Sanders' bill further would establish an administrative penalty for insurance fraud; bar those convicted of fraud from enforcing contracts for no-fault benefits; and make accident-victim solicitation a criminal offense.

Jensen's version, S.F. 782, moved through the Senate Commerce Committee in March and the Senate Judiciary Committee in April, before it was bottled up by the Senate Finance Committee. Sanders' version, H.F, 864, passed the House Commerce and Regulatory Reform Committee in March, but then was hung up by the House Civil Law and Data Practices Committee.

Mississippi – Gov. Phil Bryant in March signed H.B. 739, requiring the state's property insurers to report premium and claims data to the state Department of Insurance, broken down by ZIP code.[56] The measure was a response to concerns by coastal residents that they were paying excessive rates.

Missouri – By a 107 to 48 margin, the Missouri House voted in February to pass H.B. 130, which would create a statewide prescription drug monitoring program to track potential fraud and abuse. The bill, strongly supported by workers' comp insurers,[57] subsequently moved to the state Senate, where it was referred to three committees, none of which have acted on the legislation. Missouri is the only state in the union without a PDMP.

An August report from the Missouri Department of Insurance estimated the state has about $100 billion of at-risk residential properties currently uninsured for earthquake risk.[58] The U.S. Geological Survey estimates the probability of a magnitude 6.0 or greater earthquake in the New Madrid zone over the next 50 years to be between 25 and 40 percent.

In June, Gov. Jay Nixon signed H.B. 50, a bill designed to ensure the state maintains its NAIC accreditation.[59] The measure included amendments to the Model Insurance Holding Company Act and adopts the NAIC's Risk Management and Own Risk and Solvency Assessment Model Act.

Montana – After earning unanimous support in a February vote of the state Senate, a measure proposing to limit insurers to "look back" no more than five years in choosing whether to cancel property insurance died in the state House Business and Labor Committee.[60] The measure, S.B. 84, had the support of Insurance Commissioner Monica Lindeen.

Nevada – Bruce Breslow, director of the Nevada Department of Business and Industry, in July appointed Amy Parks to serve as the state's acting insurance commissioner.[61] Parks, who succeeded Scott Kipper, had been the department's chief insurance counsel since 2009. Kipper served as commissioner from December 2008 to June 2010 and then again from October 2011 until July 2015.

New Jersey – Attorney Richard Badolato was nominated in June by Gov. Chris Christie to serve as New Jersey's insurance commissioner. Badolato, who took office Aug. 1, succeeded Kenneth Kobylowski, who took office in January 2012.

New Mexico – Unlike counterparts in other states, Insurance Superintendent John Franchini in April said that filings by Allstate which employed "price optimization" strategies are "not violating state law, or any rules or regulations or statutes." He nonetheless rejected the specific filing and asked that the company "come back and show us how it's going to work actuarially."[62]

54. Press release, "GOV. RICK SNYDER TAPS PAT MCPHARLIN TO HEAD STATE'S DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES FORMER CEO OF MSUFCU TO LEAD DEPARTMENT AS ANN FLOOD RETURNS TO PRIVATE SECTOR," Office of the Governor of Michigan, April 7, 2015. http://www.michigan.gov/som/0,4669,7-192-53480_56421-351958--,00.html

55. Abby Simmons, "Legislators taking aim at insurance scammers," *Star Tribune*, Feb. 13, 2015. https://www.highbeam.com/doc/1G1-401457788.html

56. Jack Weatherly, "Hood asks U.S. for probe of 'steering' of customers by insurers," *Mississippi Business Journal*, March 19, 2015. http://msbusiness.com/2015/03/hood-asks-u-s-for-probe-of-insurers-steering-of-customers/

57. Press release, "AIA SUPPORTS MISSOURI LEGISLATION TO ENACT PRESCRIPTION DRUG MONITORING PROGRAM," American Insurance Association, Feb. 4, 2015. http://www.aiadc.org/news/all-news-releases/aia-supports-missouri-legislation-to-enact-prescription-drug-monitoring-program%20369872

58. Press release, "MISSOURI EARTHQUAKE REPORT SHOWS INSURANCE COVERAGE AT CRITICAL TIPPING POINT STATE INSURANCE REGULATORS' FINDINGS INDICATE COVERAGE CRISIS IN SOUTHEAST MISSOURI," Missouri Department of Insurance, Financial Institutions and Professional Registration, Aug. 11, 2015.

59. Press release, "GOV. NIXON SIGNS LEGISLATION TO MAINTAIN MISSOURI'SACCREDITATION WITH THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS," Office of the Missouri Governor, June 3, 2015. https://governor.mo.gov/news/archive/gov-nixon-signs-legislation-maintain-missouri%E2%80%99s-accreditation-national-association

60. Tom Lutey, "Billings-inspired insurance reform bill likely dead," *The Billings Gazette*, March 31, 2015. http://billingsgazette.com/news/government-and-politics/billings-inspired-insurance-reform-bill-likely-dead/article_7c29c00c-62f7-5049-b021-f3f1b32a2c9e.html

61. Sandra Chereb, "Parks named acting state insurance commissioner," *Las Vegas Review-Journal*, July 9, 2015. http://www.reviewjournal.com/news/nevada/parks-named-acting-state-insurance-commissioner

62. Rosalie Rayburn, "Insurance companies explore higher prices for loyal custom-

New York – In June, the state Assembly passed A.B. 7537, which would standardize the trigger language for windstorm deductibles in property-insurance policies.[63] Sponsored by Assemblyman Todd Kaminsky, D-Long Beach, the bill was a response to some companies' determination following Superstorm Sandy that "hurricane deductibles" did not apply, as the storm did not make landfall as a hurricane. Neither the measure nor its Senate counterpart, S.B. 253, have yet to move successfully through Senate committee.

The Department of Financial Services in March sent out a data call giving insurers until April 15 to respond with information about how they use "price optimization" strategies, including whether they are using formal or informal models as part of pricing, rate-filing or tier-placement decisions.[64] The department did not explicitly proscribe the use of such strategies, but expressed concern that they could violate prohibitions on rates that are unfairly discriminatory.

Financial Services Superintendent Benjamin Lawsky announced in June that he step down from his post, with department Chief of Staff Anthony Albanese taking over as interim superintendent.[65]

North Carolina – After several years of failed attempts to reform its auto insurance system – the only one in the nation in which rates are negotiated by a collusive cartel – the Tarheel State's legislative attention in 2015 turned instead to property insurance.

In May, the state House passed by a unanimous 115-0 margin H.B. 182, a measure that would, among other things, create a North Carolina Recovery Finance Authority, empowered to issue tax-exempt bonds to cover losses incurred by the North Carolina Insurance Underwriting Association, better known as the "Beach Plan."[66] The measure also requires the Rate Bureau to submit more than one catastrophe model, if it chooses to use catastrophe models at all in its rate submissions. It also would constrain insurers' ability to raise rates under "consent to rate" policies without getting additional approval from the insurance commissioner. The initial version of the bill would have granted the insurance commissioner authority to require rate rollbacks, but that provision was stripped from the version which received floor support. The measure did not progress through committee in the state Senate.

Ohio – Lt. Gov. Mary Taylor, who serves as the state's insurance director, in February issued a halt to the practice of "price optimization," making Ohio the second state (after Maryland, in late 2014) to ban consideration of the elasticity of consumer demand in rate-setting. She gave insurers until June 30 to end the practice.[67]

Oklahoma – Insurance Commissioner John Doak demanded insurers provide his office data on earthquake-insurance claims, responding to reports that companies were invoking exclusions for "man-made" earth movement to deny claims related to hydraulic fracturing.[68] In a March bulletin, Doak noted that recently collected data showed only eight of the roughly 100 earthquake claims filed with the top 10 property insurers in 2014 were paid. Doak expressed skepticism of scientific consensus linking earthquakes to fluid injections deep into the Earth's crust and intimated that he would take action against companies who denied claims on that basis:

> In light of the unsettled science, I am concerned that insurers could be denying claims based on the unsupported belief that these earthquakes were the result of fracking or injection well activity. If that were the case, companies could expect the Department to take appropriate action to enforce the law.[69]

Pennsylvania – Pennsylvania Insurance Commissioner Teresa Miller in an August notice mandated that insurers not use "price optimization" techniques and said state law required policyholders with identical risk profiles to "be charged the same premium."[70]

Rhode Island – Insurance Superintendent Joseph Torti in September issued a bulletin ordering "[a]ny insurer that uses price optimization to rate policies" to remove such factors, giving them until mid-November to file revised rates.[71] The

ers; NM regulator intends to reject Allstate rate filing," *Albuquerque Journal*, April 18, 2015. http://www.abqjournal.com/571388/news/higher-insurance-rates-for-loyal-customers.html

63. Press release, "Kaminsky Bill Passes Assembly to Close Insurance Loophole, Protect Victims of Storm Damage," Assemblyman Todd Kaminsky, June 11, 2015. http://www.longisland.com/news/06-10-15/bill-close-storm-damage-insurance-loophole.html

64. Thomas Harman, "New York Regulators Seek Insurer Price Optimization Data," BestWire, March 23, 2015. http://www3.ambest.com/ambv/bestnews/newscontent.aspx?altsrc=23&refnum=181336

65. Andrew Ross Sorkin, "Lawsky's Top Deputy to Succeed Him Temporarily," *The New York Times*, June 12, 2015. http://www.nytimes.com/2015/06/13/business/dealbook/lawskys-top-deputy-to-succeed-him-temporarily.html?_r=0

66. Thomas Harman, "North Carolina House Passes Bill Creating Catastrophic Financing Authority," BestWire, May 15, 2015. http://www3.ambest.com/ambv/bestnews/newscontent.aspx?altsrc=23&refnum=182819

67. Mark Williams, "State bans insurers' tactic to raise rates," *The Columbus Dispatch*, Feb. 7, 2015. http://www.dispatch.com/content/stories/business/2015/02/06/insurance-price-optimization-prohibited.html

68. Sarah Terry-Cobo, "All shook up: Doak orders insurers to clarify what quakes are covered," *The Journal Record*, Oct. 21, 2015. http://journalrecord.com/2015/10/21/all-shook-up-doak-orders-insurers-to-clarify-what-quakes-are-covered-energy/

69. Press release, "Notice Issued to Protect Oklahomans Who Have Earthquake Insurance," Oklahoma Insurance Department, March 3, 2015. http://www.ok.gov/triton/modules/newsroom/newsroom_article.php?id=157&article_id=15515

70. Patricia Sabatini, "PA. WARNS INSURANCE COMPANIES ON 'UNFAIR' TACTICS; PRICE OPTIMIZATION RAISES CUSTOMERS' RATES," Pittsburgh Post-Gazette, Sept. 3, 2015. http://www.post-gazette.com/business/money/2015/09/03/Pennsylvania-warns-insurance-companies-on-unfair-tactics/stories/201509030023

71. Press release, "Rhode Island Directs Insurers Using Price Optimization to Submit

bulletin noted that practices such as capping and transitional pricing are permitted if applied on a group basis.

In November, Torti announced that he was stepping down from his post after 13 years in office.[72] The state Department of Business Regulation has not yet chosen a successor.

South Carolina – A report from the University of South Carolina's Risk & Uncertainty Management Center, commissioned by the Senate Insurance Committee, recommended the state hold off on proposals to create a residual pool for flood risks.[73]

South Dakota – In January, Larry Deiter had the "interim" tag dropped from his title as the state's insurance director.[74] He replaced Merle Scheiber, who had served 10 years in the office.

Tennessee – Looking to crack down on the roughly 23 percent of Tennessee drivers who are uninsured, Gov. Bill Haslam in June signed a bill that creates a statewide insurance-verification program to track down uninsured drivers through vehicle registrations.[75] The bill ups the penalty for not carrying proof of insurance from $100 to $300 and makes providing false proof of insurance a Class A misdemeanor, subject to fines of up to $2,500 and nearly a year of jail time.

Texas – Gov. Greg Abbott in June signed H.B. 900, a bill that grants the Texas Windstorm Insurance Association authority to assess insurance company members up to $1 billion per year and to issue up to $500 million in securities annually to pay storm claims.[76] The bill also changes the makeup of the association's board, transferring appointment power from the insurance commissioner to the governor and mandating that the board be made up of three representatives of the coast, three from the insurance industry and three who live at least 100 miles away from the coast.

The state Senate in late April passed S.B. 1628, a measure designed to address lawsuit abuse and, particularly, reports of rampant fraud in the filing of hail claims. The measure also passed through the House Insurance Committee on a 6-3 vote, but by that point, amendments to the bill's claims-adjustment provisions had lost it much of the initial support it enjoyed.[77] It did not proceed to the House floor before adjournment.

A 12-year-old dispute between State Farm Lloyds and the Texas Department of Insurance over homeowners insurance rates was finally settled in February, as the company agreed to refund $352.5 million in premiums collected between September 2003 and July 2008.[78] The legal battle stemmed from Texas' 2003 overhaul of property insurance regulation, which both permitted companies to begin using rates without prior approval and gave TDI authority to order refunds when it deemed filed rates excessive.

Vermont – The Vermont Department of Financial Regulation in July issued a bulletin directing personal lines insurers to disclose whether they use "price optimization" techniques in formulating rates, but did not ban the practice.[79]

Washington – Insurance Commissioner Mike Kreidler in July sent out a technical assistance advisory declaring "price optimization" to be illegal in Washington state and declaring in a video on the agency's website that "we're going to go after" companies that use such pricing strategies.[80]

Wyoming – Gov. Matt Mead in January named former state Board of Equalization Vice Chairman Paul Thomas Glause to be the state's insurance commissioner, succeeding Tom Hirsig, who held the job for two years.[81]

Revised Filings," Rhode Island Department of Business Regulation, Insurance Division, Sept. 23, 2015. http://www.insurancejournal.com/news/east/2015/09/23/382567.htm

72. Press release, "R.I. Insurance Superintendent Torti to Leave Post, Join Fairfax Financial," *Insurance Journal*, Nov. 19, 2015. http://www.insurancejournal.com/news/east/2015/11/19/389532.htm

73. Greg Niehaus, "Report on Establishing a Residual Market Mechanism for Flood Insurance," South Carolina Department of Insurance, February 2015. http://www.iiabsc.com/Advocacy/SiteAssets/Pages/InsuranceRegulation/SCDOIFloodRpt.pdf

74. Press release, "Deiter Named State Insurance Director," South Dakota Department of Labor and Regulation, Jan. 8, 2015. https://dlr.sd.gov/news/releases15/nr010815_deiter_doi_director.aspx

75. Alex Green, "Bigger fines, further punishment for uninsured drivers," *Chattanooga Times Free Press*, July 1, 2015. http://www.timesfreepress.com/news/business/aroundregion/story/2015/jul/02/minimum-300-fine-now-effect-uninsured-tenness/312602/

76. Matt Woolbright, "Windstorm reform bill becomes law," *Corpus Christi Caller-Times*, June 17, 2015. http://www.caller.com/news/local/abbott-signs-windstorm-reform-bill-into-law-ep-1139832422.html

77. Tim Eaton, "Bill once backed by industry seen as flawed," *Austin American-Statesman*, May 21, 2015. http://www.mystatesman.com/news/news/insurance-bill-once-backed-by-industry-now-seen-as/nmLGD/

78. Andrea Rumbaugh, "State Farm to settle rate dispute by giving refunds; Homeowners insurance customers will get back $352.5 million as 12-year-old case wraps up," *The Houston Chronicle*, Feb. 28, 2015. http://www.pressreader.com/usa/houston-chronicle/20150228/282432757610194/TextView

79. G. Donovan Brown, "Vermont Department of Financial Regulation Addresses Price Optimization in Property and Casualty Ratemaking," Colodny Fass P.A., July 3, 2015. http://www.martindale.com/banking-financial-services/article_Colodny-Fass-PA_2210372.htm

80. C.R. Roberts, "State insurance commissioner warns against 'price optimization,'" *The News Tribune*, July 9, 2015. http://www.thenewstribune.com/news/business/article26886859.html

81. Doug Randall, "Glause Named Insurance Commissioner," Associated Press, Jan. 3, 2015. http://kgab.com/glause-named-insurance-commisioner/

PART II – METHODOLOGY

This report card represents our best attempt at an objective evaluation of the regulatory environments in each of the 50 states. It tracks 10 broad categories, most consisting of several variables, to measure how well states: avoid excess politicization; monitor insurer solvency; police fraud; respond to consumer complaints; how efficiently they spend the insurance taxes and fees they collect; how competitive their home, auto and workers' comp insurance markets are; and the degree to which they permit insurers to adjust rates and employ rating criteria as they see fit.

Our emphasis is strongly on property-casualty insurance and particularly on those lines of business – homeowners, auto and workers' compensation – that have the most direct impact on regular people's lives. Perhaps because of this nexus, these also tend to be the lines of business most often subject to legislative and regulatory interventions, like price controls and direct provision of insurance products by state-sponsored, state-supported or state-mandated institutions.

For each of the 10 categories, we use the most recent year's data available. We defer to empirical data over subjective judgment wherever such figures are relevant and available. The two factors with the greatest emphasis – the performance of states' home and auto insurance markets, each representing 15 percent of the final score – reflect those we feel are most illustrative of states' ability to foment healthy, competitive markets.

The report is not intended as a referendum on specific regulators. Scoring an "F" does not mean that a state's insurance commissioner is inadequate, nor is scoring an "A+" an endorsement of those who run the insurance department. Significant changes in states' scores most often would only be possible through action by state legislatures and many major administrative changes would need approval from outside of the insurance department. Facts of geography that states cannot control may also impact some states' scores: coastal states, for example, tend to have larger residual property insurance markets, because of hurricane risk. Likewise, some factors of market competition may result partly from underlying state characteristics: Alaska's remoteness and cultural uniqueness may make it harder to attract carriers, while California's size and diversity almost certainly makes it easier. Scores are weighted to provide balance between considering the rules a state adopts and the results it demonstrates, between the effectiveness of regulators in performing their core duties and the efficiency of a state in making use of its resources.

Because we are necessarily limited to those factors we can quantify for all 50 states, there are many important considerations that our report card will not reflect. Among other variables, we lack good measures of how well states regulate insurance policy forms and the level of competition in local markets for insurance agents and brokers. And while the NAIC does offer some data that could illuminate how quickly states act on rate-and-product filings,[82] the sheer volume of filings and associated difficulties in making apples-to-apples comparisons of states' speed-to-market environments renders attempts at comprehensive analysis of such factors across 50 states in multiple lines of business beyond the scope of this report.

I. Politicization (10 percent of total score)

Insurance regulation is a technical matter and, by and large, should be insulated from the political process and prevailing political concerns. It is necessary for insurance regulators to monitor that insurers and insurance producers deal with the public fairly and in good faith. It is necessary to apply risk-based capital rules to ensure insurance companies are responsibly and competently managing both their underwriting and their investment risks. Regulators also must be vigilant to stamp out fraud – whether by carriers, by agents and brokers or by insureds – wherever it rears its head.

None of these charges are inherently political in nature and the introduction of political pressure to the process of insurance regulation inevitably leads to negative consequences. Insurance regulators are public servants, and thus it is necessary and valuable for the public to have oversight of their activities. But such oversight is properly exercised through elected governors and legislators. Trained, professional regulators can much more effectively enforce the law, unbidden by the shifting winds of political passions.

For this reason, we downgrade those states where insurance regulation is explicitly a political matter, as well as those where legislation that would restrict insurance-market freedom gained traction in 2015. Penalties were assessed in the following ways.

- The 11 states in which the insurance commissioner is an elected position automatically received a -20. Those states are California, Delaware, Georgia, Kansas, Louisiana, Mississippi, Montana, North Carolina, North Dakota, Oklahoma and Washington state. In Florida, where insurance producers are regulated by the elected chief financial officer and the Office of Insurance Regulation is incorporated as part of the chief financial officer's Department of Financial Services, we deducted -10 points.
- An additional -10 points were subtracted for each 2015 bill that became state law which significantly

82. For speed-to-market analysis of just six states in a single line of business, see: Ian Adams, "The Troublesome Legacy of Prop 103," R Street Institute, October 2015. http://www.rstreet.org/wp-content/uploads/2015/10/RSTREET43.pdf

TABLE 2: POLITICIZATION

State	Elected Regulator	2014 Actions		Totals	
		Legislative	Regulatory	Raw	Weighted
AK	0	0	0	0	10.0
AL	0	0	0	0	10.0
AR	0	0	0	0	10.0
AZ	0	0	0	0	10.0
CA	-20	0	-5	-25	0.0
CO	0	0	0	0	10.0
CT	0	-1	0	-1	9.6
DE	-20	0	-5	-25	0.0
FL	-10	0	-10	-20	2.0
GA	-20	0	0	-20	2.0
HI	0	-10	0	-10	6.0
IA	0	0	0	0	10.0
ID	0	0	0	0	10.0
IL	0	-5	0	-5	8.0
IN	0	0	-5	-5	8.0
KS	-20	0	0	-20	2.0
KY	0	0	0	0	10.0
LA	-20	0	0	-20	2.0
MA	0	0	0	0	10.0
MD	0	0	0	0	10.0
ME	0	0	-5	-5	8.0
MI	0	0	0	0	10.0
MN	0	0	0	0	10.0
MO	0	0	0	0	10.0
MS	-20	0	0	-20	2.0
MT	-20	-5	0	-25	0.0
NC	-20	-5	0	-25	0.0
ND	-20	0	0	-20	2.0
NE	0	0	0	0	10.0
NH	0	0	0	0	10.0
NJ	0	0	0	0	10.0
NM	0	0	0	0	10.0
NV	0	0	0	0	10.0
NY	0	-5	0	-5	8.0
OH	0	0	-5	-5	8.0
OK	-20	0	-5	-25	0.0
OR	0	0	0	0	10.0
PA	0	0	-5	-5	8.0
RI	0	0	-5	-5	8.0
SC	0	0	0	0	10.0
SD	0	0	0	0	10.0
TN	0	0	0	0	10.0
TX	0	-10	0	-10	6.0
UT	0	0	0	0	10.0
VA	0	0	0	0	10.0
VT	0	0	0	0	10.0
WA	-20	0	-5	-25	0.0
WI	0	0	0	0	10.0
WV	0	0	0	0	10.0
WY	0	0	0	0	10.0

SOURCE: R Street analysis

restricts market freedom or adds significantly to the cost of doing business in property-casualty insurance markets. Where such bills passed only one chamber of the legislature or did not become law due to a governor's veto, -5 points were deducted. Where such bills passed at least one significant committee of jurisdiction, -1 point was deducted.

- In addition, -5 points was deducted for each market-restricting ruling by state regulators that have the force of law.

This year, we identified just two key pieces of market-restricting pieces of legislation that became law: Hawaii's measure ordering an end to the moratorium on policies in lava-flow areas and Texas' bill restructuring the Texas Windstorm Insurance Authority. For these two, -10 points was deducted.

Four other market-restricting measures passed at least one chamber of the state legislature: Illinois' bill creating a prior-approval system for workers' comp; Montana's bill limiting insurers' freedom to cancel policies; New York's bill mandating uniform language for windstorm deductible triggers; and North Carolina's bill creating a finance agency for the state's Beach Plan. For each of these, -5 points was deducted.

Only one other notable bill that would restrict insurance-market freedom passed through at least one legislative committee: Connecticut's bill barring residential property insurers from considering dog breed as an underwriting or rate-setting variable. For this bill, -1 point was deducted.

Among regulatory decisions that have the force of law, the most notable were the nine states (California, Delaware, Florida, Indiana, Maine, Ohio, Pennsylvania, Rhode Island and Washington state) that issued regulatory bulletins barring the use of "price optimization" techniques. We did not consider the advisories issued by New Mexico, New York and Vermont to be equivalent to bans on the practice, as each only sought either more data or a request that such practices be disclosed. Other adverse regulatory actions of note were Oklahoma's bulletin pressuring insurers not to deny fracking-related earthquake claims and the decision by the Florida Cabinet to deny Florida Hurricane Catastrophe Fund officials to bind reinsurance coverage without the Cabinet's prior approval. For each of these regulatory actions, -5 points was deducted.

Taken together, 22 of the 50 states saw some points deducted for politicization. Six states (California, Delaware, Montana, North Carolina, Oklahoma and Washington) tied for worst raw score, with -25, while 35 states received a raw score of 0. Those raw scores are then translated into a weighted score of between 0 and 10, as the category represents 10 percent of the total score.

2. Solvency Regulation (10 percent of total score)

There is no single duty more important for insurance regulators than monitoring the solvency of regulated insurers. Alas, the state-based system of solvency regulation has not always been held in particularly high esteem. A spate of liability insurer insolvencies in the late 1980s prompted a federal investigation that faulted the state regulatory system for failing to provide adequate oversight of insurers' underpricing, inadequate loss reserves and shaky reinsurance transactions.

Shortly after, the industry was hit again by another spate of insolvencies, this time in the life insurance sector, which was followed by a round of property insurance insolvencies following 1992's Hurricane Andrew. In response to both the public criticism and the threat of preemption, state regulators moved in 1994 through the National Association of Insurance Commissioners to create and implement a risk-based capital regime of solvency regulation. That regime has held up remarkably well, although the failure of American International Group during the 2008 financial crisis prompted a re-examination of states' oversight of complex insurance and financial services holding companies.

Financial exams: The first metric we examine in assessing states' solvency regulation is how frequently each department examines the financial strength of companies domiciled within its borders. States vary greatly in both size and number of domestic insurers. Under the state-based system of insurance regulation, each domiciliary state is charged with primary responsibility for monitoring their respective domestic insurers' solvency.

Because insurance departments are funded primarily by fees paid by regulated insurers and insurance producers, those with an unusually large number of domestic companies also reap the windfall of unusually large resources. In fact, as will be discussed in greater detail later in this report, for most states, insurance regulation is a profit center.

States conduct two major types of examinations of companies they regulate: financial exams, which look at a company's assets, liabilities and policyholder surplus, and market conduct exams, which look into a company's business practices and how well the company is treating consumers. Sometimes, states conduct joint financial/market conduct exams that look at both sets of factors simultaneously.

States are generally free to subject any company that operates within their market to either type of exam. With financial exams, states overwhelmingly concentrate their attention on domestic insurers, and it is a regulatory rule of thumb that each domestic company should expect to be examined at least once every five years. [83]

In this report, we attempt to gauge how well states are keeping up with their duties to examine the companies they regulate. We did this by drawing on NAIC data on the number of financial exams and combined financial/market conduct exams the states reported completing for domestic companies in each year from 2010 through 2014. We then compared those figures to the number of domestic companies listed as operating in the state for each of those five years, to calculate the proportion of domestic companies that were examined.

Given the guidance that every company should be examined at least once every five years, our baseline expectation for the sum of those five years of exams is 100 percent. The good news is that 35 of the 50 states met that minimum standard, although that necessarily means that 15 states did not. The mean percentage of domestic insurers examined was 133.9 percent.

For scoring purposes, we deducted -5 points for any department that fell below the mean and -10 points for two departments (Iowa and Minnesota) that fell more than a standard deviation below the mean. We awarded +5 points to four departments (Tennessee and Washington) that scored more than one standard deviation above the mean and awarded +10 point to two departments (Nevada and Vermont) that managed to score more than two standard deviations above the mean.

Runoffs: Measuring the number of financial exams completed offers a good quantitative assessment of how robust a state's solvency regulation regime is, but there is a need

83. "[A]ll companies are to be examined once every five years, although the scope and extent of that exam will be based on the particular attributes of the company to be examined." National Association of Insurance Commissioners, "Model Law on Examinations," October 1999. http://www.naic.org/store/free/MDL-390.pdf

TABLE 3: SOLVENCY REGULATION

State	Financial Exams		Runoffs		Capitalization		Totals	
	(%)	Score	(%)	Score	(%)	Score	Raw	Weighted
AK	126.8	-5	0.0	5	3.6	0	0	6.7
AL	118.7	-5	0.1	0	11.3	0	-5	5.0
AR	86.6	-5	0.3	0	6.8	0	-5	5.0
AZ	107.8	-5	5.5	-5	13.9	-5	-15	1.7
CA	126.7	-5	4.6	-5	27.6	-10	-20	0.0
CO	83.1	-5	0.0	5	5.6	0	0	6.7
CT	111.8	-5	1.1	0	13.7	-5	-10	3.3
DE	131.1	-5	7.8	-5	1.5	5	-5	5.0
FL	59.2	-5	1.9	0	42.3	-15	-20	0.0
GA	107.8	-5	0.0	5	21.1	-5	-5	5.0
HI	224.1	5	0.1	0	16.1	-5	0	6.7
IA	52.8	-10	0.0	5	5.6	0	-5	5.0
ID	121.6	-5	0.2	0	6.4	0	-5	5.0
IL	113.5	-5	5.7	-5	14.9	-5	-15	1.7
IN	117.2	-5	16.1	-5	16.1	-5	-15	1.7
KS	108.1	-5	0.0	0	7.4	0	-5	5.0
KY	234.5	5	0.0	5	3.9	0	10	10.0
LA	96.2	-5	0.5	0	20.5	-5	-10	3.3
MA	118.3	-5	0.8	0	25.8	-10	-15	1.7
MD	139.2	0	1.0	0	9.7	0	0	6.7
ME	81.7	-5	0.0	5	5.0	0	0	6.7
MI	181.9	0	0.0	5	35.0	-15	-10	3.3
MN	37.3	-10	0.0	0	7.1	0	-10	3.3
MO	100.3	-5	1.2	0	6.3	0	-5	5.0
MS	146.1	0	1.1	0	18.5	-5	-5	5.0
MT	100.2	-5	0.1	0	0.5	5	0	6.7
NC	116.9	-5	2.3	0	14.7	-5	-10	3.3
ND	112.2	-5	0.0	5	11.4	0	0	6.7
NE	139.8	0	0.5	0	2.1	0	0	6.7
NH	96.7	-5	53.0	-15	2.8	0	-20	0.0
NJ	110.5	-5	0.8	0	23.1	-10	-15	1.7
NM	103.5	-5	0.0	5	8.0	0	0	6.7
NV	437.3	10	0.7	0	2.4	0	10	10.0
NY	68.3	-5	3.0	0	24.7	-10	-15	1.7
OH	97.4	-5	3.0	0	12.7	-5	-10	3.3
OK	137.6	0	3.3	0	16.6	-5	-5	5.0
OR	168.1	0	0.0	5	10.0	0	5	8.3
PA	151.3	0	27.5	-10	17.2	-5	-15	1.7
RI	91.6	-5	2.2	0	0.8	5	0	6.7
SC	58.7	-5	0.7	0	8.5	0	-5	5.0
SD	83.3	-5	0.0	5	2.6	0	0	6.7
TN	250.4	5	0.0	5	6.2	0	10	10.0
TX	161.7	0	1.7	0	43.6	-20	-20	0.0
UT	105.0	-5	0.8	0	2.5	0	-5	5.0
VA	192.6	0	0.4	0	13.9	-5	-5	5.0
VT	457.3	10	66.0	-20	0.0	10	0	6.7
WA	228.8	5	0.1	0	15.7	-5	0	6.7
WI	72.3	-5	0.0	5	12.3	-5	-5	5.0
WV	98.1	-5	0.0	5	9.8	0	0	6.7
WY	121.0	-5	0.0	5	0.0	10	10	10.0

SOURCES: NAIC, SNL Financial

for a qualitative assessment, as well. A state could examine every company every year, but if it doesn't actually catch the problems that lead to insolvency, this would offer little benefit to policyholders.

The best measure we could find to assess the quality of solvency regulation is to look at regulatory run-offs, where an insurer has ceased writing new business and instead chosen to wind down its remaining obligations over time. While run-offs are often voluntary, a department may have to intervene by placing the financially troubled company into receivership. If the company may be saved, a court can order it into a conservatory rehabilitation or supervisory rehabilitation, a reorganization process that can include allowing the company to resume writing new business. Where rehabilitation is deemed impossible, a liquidation order is signed, wherein a company's assets will be sold off to make good on its remaining obligations, and guaranty fund coverage may be triggered to pay claims.

For the report card, we summed the total in-progress claims liability of insurers placed in run-off, supervision, conservation, receivership and liquidation for each state, as of Dec. 31, 2014. The totals ranged from Pennsylvania's roughly $26.0 billion to 15 states that had no in-progress claims liability at all. We scored states based on the proportion of total 2014 net written premiums the outstanding run-off liabilities represented. States with a high proportion of runoff liabilities were downgraded.

We found a mean of 4.3 percent for all states, but a relatively high standard deviation of 12.3 percentage points. We awarded +5 points to each of the 15 states with no regulatory run-off liabilities at all. We deducted -5 points from five departments (Arizona, California, Delaware, Illinois and Indiana) that were above the mean by less than one standard deviation; deducted -10 points from one state (Pennsylvania) that was more than a standard deviation above the mean; deducted -15 points from New Hampshire, which was more than two standard deviations above the mean; and deducted -20 points from Vermont, which was more than three standard deviations above the mean.

Capitalization: The most basic test for how well states are monitoring insurer solvency can be found in the market itself: how much capital and surplus do firms doing business in that state have to back up the promises they make to policyholders?

A common metric for measuring an insurance firm's capitalization is its premium-to-surplus ratio, found by dividing written premiums by policyholder surplus. A low premium-to-surplus ratio is considered a sign of financial strength, while a higher premium-to-surplus ratio indicates the company has lower capacity.

Using 2014 statutory data from SNL Financial, we explored the premium-to-surplus ratio of property-casualty insurance operating units doing business in each state. While it is possible to sum the aggregate premium-to-surplus ratio of property-casualty insurers in each state, the ubiquitous presence of several very large, very well-capitalized operating units that do business nationally – such as State Farm's State Farm Mutual Automobile Insurance Co., USAA's United Services Automobile Association and Berkshire Hathaway's National Indemnity Co. – renders such measurements not terribly illustrative. States do not vary tremendously in the total capitalization of insurers writing property-casualty business. Thus, the aggregate premium-to-surplus ratio of state markets is largely a function of how much direct premium is written in that state, which is, in turn, a rough proxy for the state's size.

Instead, we explore a different, more relevant metric: what portion of the state's market is being written by relatively thinly capitalized firms? The higher this number, the more vulnerable the state would appear to be to a solvency event, such as a major hurricane or terrorist attack. Using SNL Financial data, we summed the aggregate market share in each state across all lines of property-casualty insurance of operating units whose premium-to-surplus ratio exceeded 100 percent – that is, those whose 2014 direct written premiums in a given state exceeded the capital and surplus they have on hand.

The results range from Vermont and Wyoming, where such firms represent 0 percent of the market, to Texas, where they represent 43.6 percent of the market. The mean of the 50 states was 12.2 percent with a standard deviation of 10.2 percentage points.

We awarded +5 points to three states (Delaware, Montana and Rhode Island) that were more than a standard deviation below the mean and +10 points to the two states (Vermont and Wyoming) where no market share was enjoyed by companies with a premium-to-surplus ratio above 100 percent. In 15 states where the market share was above the mean, we deducted -5 points. In addition, -10 points was deducted in four states (California, Massachusetts, New Jersey and New York) that were more than a standard deviation above the mean; -15 points was deducted in two states (Florida and Michigan) that were more than two standard deviations above the mean; and -20 points was deducted in Texas, which was more than three standard deviations above the mean.

Taken together, states' scores in the Solvency Regulation category range from a high of +10 (shared by Kentucky, Nevada, Tennessee and Wyoming) to a low of -20 (shared by California, Florida, New Hampshire and Texas). Those raw scores are then translated into a weighted score of between 0 and 10, as the category represents 10 percent of the total score.

3. Consumer Protection (5 percent of total score)

Another crucial task of state insurance regulators is to see that insurers and insurance producers are dealing fairly and transparently with the public. Consumers trust that when they experience inappropriate market conduct – such as intentionally misleading marketing or claims denials that are made in bad faith – regulators will have appropriate sources to respond to their complaints.

Using the 2015 edition of the NAIC's Insurance Department Resources Report, we calculated a ratio of the number of consumer complaints each department received in 2014 to the number of complaint investigators and support staff they employed or contracted.

The number of complaints ranged from 173 in North Dakota to 37,807 in California. Staffing resources devoted to such inquiries ranged from just three full-time equivalent employees in Alaska, New Mexico, Wyoming to 274.25 in Texas.

Nationwide, we found a mean of 196 complaints per consumer-affairs employee, with a standard deviation of 138.5. We awarded +5 points to 30 states that were below the mean and +10 points to three states (Delaware, Idaho and North Dakota) that were more than a standard deviation below the mean. At the other end of the spectrum, we deducted -5 points from five states whose ratio was more than a standard deviation greater than the mean: Connecticut, Indiana, Nevada, New Mexico and Wisconsin. We deducted -10 points from two

TABLE 4: CONSUMER PROTECTION AND ANTIFRAUD RESOURCES

State	Consumer		Fraud	
	Raw	Weighted	Raw	Weighted
AK	5	4.0	5	5.0
AL	0	3.0	0	4.4
AR	5	4.0	5	5.0
AZ	5	4.0	0	4.4
CA	0	3.0	5	5.0
CO	5	4.0	0	4.4
CT	-5	2.0	0	4.4
DE	10	5.0	-5	3.8
FL	5	4.0	0	4.4
GA	0	3.0	-15	2.5
HI	5	4.0	0	4.4
IA	5	4.0	0	4.4
ID	10	5.0	5	5.0
IL	0	3.0	-10	3.1
IN	-5	2.0	-10	3.1
KS	5	4.0	-5	3.8
KY	0	3.0	-5	3.8
LA	5	4.0	0	4.4
MA	5	4.0	-5	3.8
MD	0	3.0	0	4.4
ME	5	4.0	-10	3.1
MI	5	4.0	-35	0.0
MN	-10	1.0	0	4.4
MO	5	4.0	-10	3.1
MS	5	4.0	0	4.4
MT	5	4.0	5	5.0
NC	5	4.0	0	4.4
ND	10	5.0	0	4.4
NE	5	4.0	5	5.0
NH	5	4.0	5	5.0
NJ	5	4.0	0	4.4
NM	-5	2.0	5	5.0
NV	-5	2.0	0	4.4
NY	-10	1.0	-5	3.8
OH	5	4.0	-10	3.1
OK	0	3.0	0	4.4
OR	0	3.0	-10	3.1
PA	-15	0.0	-5	3.8
RI	5	4.0	-5	3.8
SC	0	3.0	-5	3.8
SD	5	4.0	5	5.0
TN	5	4.0	0	4.4
TX	5	4.0	0	4.4
UT	5	4.0	0	4.4
VA	5	4.0	0	4.4
VT	5	4.0	5	5.0
WA	5	4.0	0	4.4
WI	-5	2.0	-10	3.1
WV	5	4.0	5	5.0
WY	5	4.0	-10	3.1

SOURCES: NAIC, NICB

states (Minnesota and New York) whose ratio was greater than the mean by more than two standard deviations and we deducted -15 points from Pennsylvania, whose ratio was greater than the mean by more than three standard deviations.

Those scores of +10 to -15 were then translated into a weighted score of between 0 and 5, as the category represents 5 percent of the total score.

4. Antifraud Resources (5 percent of total score)

In addition to regulating insurer solvency and vetting consumer inquiries and complaints, states also have a duty to protect consumers by policing insurance fraud. Fraud is a costly problem that can impose significant burdens on consumers and force companies to withdraw from markets. This is particularly true in casualty lines of business, like auto insurance and workers' compensation, where claims frequently are tied to medical treatment. The Insurance Information Institute estimates insurance fraud accounts for about 10 percent of the property-casualty industry's incurred losses and loss adjustment expenses, or about $32 billion annually.[84]

It is exceedingly difficult to assess how well states handle the challenge of policing insurance fraud. However, there is significant variation in the tools and resources that states have granted both insurance departments and law enforcement to

84. Ralph Burnham, "Are Insurers Winning or Losing the Fraud Game," *Claims Journal*, April 15, 2013. http://www.claimsjournal.com/magazines/idea-exchange/2013/04/15/226656.htm

TABLE 5: FISCAL EFFICIENCY

State	Tax and Fee		Regulatory Surplus		Totals	
	(%)	Score	(%)	Score	Raw	Weighted
AK	1.67	0	107.9	-5	-5	5.0
AL	1.55	0	130.1	-5	-5	5.0
AR	2.17	-5	274.2	-10	-15	1.7
AZ	1.79	0	141.0	-5	-5	5.0
CA	1.15	5	111.9	-5	0	6.7
CO	0.86	5	57.2	0	5	8.3
CT	0.68	5	396.8	-15	-10	3.3
DE	0.23	10	312.9	-10	0	6.7
FL	0.25	10	71.9	0	10	10.0
GA	1.79	0	250.4	-10	-10	3.3
HI	1.39	0	67.3	0	0	6.7
IA	0.48	10	198.7	-5	5	8.3
ID	1.37	0	280.0	-10	-10	3.3
IL	0.63	5	92.3	0	5	8.3
IN	1.20	5	178.9	-5	0	6.7
KS	1.05	5	98.5	0	5	8.3
KY	1.25	5	153.7	-5	0	6.7
LA	2.11	0	336.2	-10	-10	3.3
MA	1.04	5	1044.5	-25	-20	0.0
MD	1.48	0	86.4	0	0	6.7
ME	1.62	0	158.9	-5	-5	5.0
MI	0.07	10	88.9	0	10	10.0
MN	1.32	5	161.9	-5	0	6.7
MO	0.88	5	113.9	-5	0	6.7
MS	2.30	-5	107.2	-5	-10	3.3
MT	2.18	-5	400.6	-15	-20	0.0
NC	1.17	5	110.4	-5	0	6.7
ND	0.98	5	129.5	-5	0	6.7
NE	0.51	10	117.8	-5	5	8.3
NH	1.15	5	134.1	-5	0	6.7
NJ	1.01	5	267.9	-10	-5	5.0
NM	1.84	0	212.8	-10	-10	3.3
NV	2.21	-5	148.2	-5	-10	3.3
NY	1.58	0	642.9	-20	-20	0.0
OH	0.82	5	167.2	-5	0	6.7
OK	1.66	0	243.7	-10	-10	3.3
OR	0.40	10	91.3	0	10	10.0
PA	0.87	5	258.9	-10	-5	5.0
RI	1.71	0	45.8	0	0	6.7
SC	1.04	5	134.1	-5	0	6.7
SD	1.51	0	317.1	-10	-10	3.3
TN	1.95	0	86.4	0	0	6.7
TX	1.60	0	208.6	-10	-10	3.3
UT	1.17	5	94.4	0	5	8.3
VA	1.24	5	280.7	-10	-5	5.0
VT	2.24	-5	131.6	-5	-10	3.3
WA	1.36	5	117.4	-5	0	6.7
WI	0.66	5	246.0	-10	-5	5.0
WV	5.24	-10	339.0	-10	-20	0.0
WY	1.52	0	76.5	0	0	6.7

SOURCE: NAIC

tackle the problem. It is those variations that we have chosen to measure as part of this report card.

Using NAIC data on insurance department staffing (including interdepartmental and contract staff) and National Insurance Crime Bureau data on questionable insurance claims reported by insurers, we looked first at the ratio of claims to full-time staffers devoted to antifraud enforcement. To avoid dividing by zero, for the five states that employ no antifraud staff (Michigan, Rhode Island, Vermont, Wisconsin and Wyoming) we assumed a staffing level of 0.9 employees.

Nationwide, the 50 states had a mean ratio of 297.7 questionable claims to each antifraud staffer, with a very large standard deviation of 629.5. We assigned +5 points to 18 states that were below the mean by more than one-third of a standard deviation. We deducted -5 points from Rhode Island and South Carolina, whose ratio was above the mean; deducted -10 points from Illinois and Wisconsin, which were above the mean by more than a standard deviation; deducted -15 points from Georgia, which was above the mean by more than two standard deviations; and -20 points from Michigan, which was above the mean by more than three standard deviations.

In addition, we also deducted -10 points from eight states (Delaware, Indiana, Maine, Michigan, Missouri, Ohio, Oregon and Wyoming) that do not maintain a separate criminal fraud unit.

Finally, we deducted -5 points from the 12 states (Florida, Hawaii, Kansas, Kentucky, Massachusetts, Michigan, Minnesota, New Jersey, New York, Pennsylvania, North Dakota and Utah) that maintain a no-fault system of auto insurance.

Fraud is an issue in every no-fault state. The adjustment is made here not due to any judgment that no-fault systems are inherently defective, but rather to avoid unduly rewarding states for beefing up antifraud efforts to fight a problem that is, to some extent, self-inflicted.

Taken together, states' scores in the Antifraud Resources category range from a high of +5 in 11 states to a low of -35 for Michigan. Those raw scores are then translated into a weighted score of between 0 and 5, as the category represents 5 percent of the total score.

5. Fiscal Efficiency (10 percent of total score)

We feel it is important that state insurance regulators not only do their jobs well, but that they do them efficiently, with minimal cost to consumers, companies and taxpayers. Taxes and fees paid to support insurance regulation are passed on as part of the cost of insurance coverage.

States vary in how they allocate funding to their insurance departments. In 22 states, 100 percent of the department's revenues come from regulatory fees and assessments. Fees and assessments account for more than 90 percent of the budget in 14 other states and for more than 70 percent of the budget in an additional eight states. Other states draw on a combination of fees and assessments, fines and penalties, general funds and other sources. Georgia and Pennsylvania are the only states that do not directly draw any of their revenues from the fees and assessments they levy, in each case drawing the bulk of their operating funds from the state's general fund.

Based on the NAIC's Insurance Department Resources Report, the 50 states, Puerto Rico and the District of Columbia spent $1.33 billion on insurance regulation in 2014, but collected more than double that amount, roughly $3.0 billion, in regulatory fees and assessments from the insurance industry. State insurance departments also collected $257.3 million in fines and penalties and another $1.14 billion in miscellaneous revenues. States separately collected $17.5 billion in insurance premium taxes. Altogether, of the $21.9 billion states collected from the insurance industry last year, only 6.0 percent was spent on insurance regulation, down from 6.4 percent the prior year.

Using this data, we have constructed two variables to measure departments' budget efficiency and the financial burden states place on insurance products.

Tax and Fee Burden: First, we look at the total of premium taxes, fees and assessments and fines and penalties collected in each state, expressed as a percentage of the premiums written in the state. This is the tax and fee burden, and the results range from a low of 0.07 percent for Michigan to a high of 5.24 percent for West Virginia. The mean was 1.36 percent, with a standard deviation of 0.79 percentage points. We awarded +5 points to 21 states that were below the mean and +10 points to six states (Delaware, Florida, Iowa, Michigan, Nebraska and Oregon) that were below the mean by more than a standard deviation. Five states that were more than a standard deviation above the mean (Arkansas, Mississippi, Montana, Nevada and Vermont) had -5 points deducted. West Virginia, which was more than two standard deviations above the mean, saw -10 deducted.

Regulatory Surplus: As mentioned above, total fees and assessments collected by state insurance departments were more than double the amount spent on insurance regulation. This figure does not include premium taxes, which are a form of sales tax, thus making it appropriate that they should go into a state's general fund. It also does not include fines and penalties, which are meant to discourage bad behavior and to compensate victims of that behavior. Limiting the consideration just to those regulatory fees and assessments that are paid by insurers and insurance producers, states collect about $1.61 billion more in regulatory fees than they spend on regulation.

That excess amount, which we call "regulatory surplus," is typically diverted to cover other shortfalls in state budgets. Sometimes, these programs have some tangential relationship to insurance, such as fire safety or public-health programs, but often, they do not. In essence, by collecting this regulatory surplus from insurance fees, states are laying a stealth tax on insurance consumers to fund what should be general obligations.

Comparing insurance regulatory fees and assessments to the budgets states spend on insurance regulation, the mean among the 50 states was to collect fees equal to 200.5 of their budget, albeit with a large standard deviation of 166.1 percentage points.

For this variable, we deducted no points for the 12 states that did not have a regulatory surplus last year. Twenty states with some regulatory surplus, but whose fees were less than the mean of 200.5 percent of their budget, saw -5 points deducted. We deducted -10 from 14 states whose regulatory surplus was greater than the mean by less than a standard deviation. Two states (Connecticut and Montana) whose regulatory surplus was more than a standard deviation greater than the mean, had -15 points deducted; New York, whose regulatory surplus was more than two standard deviations above the mean, had -20 points deducted; and Massachusetts, whose regulatory surplus was more than three standard deviations above the mean, had -25 points deducted.

Taken together, states' scores in the Fiscal Efficiency category range from a high of +10 (shared by Michigan, Oregon and

Florida) to a low of -20 (shared by Massachusetts, Montana, New York and West Virginia). Those raw scores are then translated into a weighted score of between 0 and 10, as the category represents 10 percent of the total score.

Insurance Market Performance

As in past editions of this report, we examined empirical data on the competitiveness of states' auto, home and workers' comp insurance markets. In looking at these markets, there are three broad categories that we measure: the size of state residual markets; the concentration and market share of insurance groups within each market; and the long-term loss ratios reported by companies operating in those markets.

Residual Markets: Residual automobile, homeowners and workers' compensation insurance markets are intended to serve consumers for whom coverage in the private market cannot be found at a "reasonable" price.

Except in a handful of cases, residual-market mechanisms do not generally have the explicit backing of state government treasuries. However, because no state has ever allowed its residual market to fail, there is typically an implicit assumption that states will stand behind the pool or chartered entity if it encounters catastrophic losses. Moreover, some pools and joint underwriting associations have statutory authority to assess private market carriers to cover shortfalls in operations.

Most residual insurance markets are very small. It's unlikely, for example, that a few involuntarily written auto insurance policies representing less than half of 1 percent of the market would have serious consequences for automobile insurance prices in any state or affect consumers more broadly.

But where residual markets grow large, it generally represents evidence that regulatory restrictions have prevented insurers from meeting consumers' needs by disallowing what would otherwise be market-clearing prices. Such large residual markets represent a state subsidy for policyholders who take risks the market is unwilling to absorb without higher premiums or some other form of compensation.

We measured the size of residual markets for home, auto and workers' comp insurance using the most recent available data from the Automobile Insurance Plans Service Office, the Property Insurance Plans Service Office, NCCI Holdings and SNL Financial.

Market Concentration: For markets to serve consumers well, there must be a variety of competitors with products designed to fit different budgets and needs. A high degree of market concentration is not necessarily a sign that consumers are poorly served, but it can be an indication of unnecessarily high barriers to entry or other market dysfunction. Using data supplied by SNL Financial, we calculated the concentration of each state's auto, homeowners and workers' comp markets, as measured by the Herfindahl-Hirschman Index. The HHI, which is used by the Department of Justice and Federal Trade Commission to assess the degree to which markets are subject to monopolistic concentration, is calculated by summing the squares of the market-share totals of every firm in the market. In a market with 100 firms, each with 1 percent share, the HHI would be 100. In a market with just one monopolistic firm, the HHI would be 10,000.

For this metric, we measure concentration at the group level. In most states, a single insurance group may do business through a number of separate operating units.

The DOJ and Federal Trade Commission generally consider markets in which the HHI is between 1,500 and 2,500 points to be moderately concentrated, while those in excess of 2,500 points are highly concentrated.

Loss Ratios: In addition to looking at market concentrations in the 50 states, we also used SNL Financial data to analyze loss ratios — a key profitability metric of home, auto and workers' comp insurance markets. Excess profits indicate an insufficiently competitive market. Insufficient profits indicate one in which insurers don't charge enough to attract entrants or, in the extreme, to pay policyholder claims.

Over the long run, the property-casualty industry as a whole has tended to break even on its underwriting book of business. This has shifted somewhat over the decades. In the 1970s through the 1990s, when investment returns on fixed-income securities were strong, due to relatively high bond yields, the industry's "combined ratio" – that is, its losses and expenses expressed as a percentage of its underwriting income – tended to run slightly above 100, indicating underwriting losses. As interest rates have plummeted over the past two decades, modest underwriting profits have become more common, as there hasn't been sufficient investment income to make up the difference.

We looked at the loss ratios of the three key property-casualty segments in each of the 50 states. A company's loss ratio includes its claims paid and loss adjustment expenses, but excludes agent commissions and other marketing and administrative expenses the industry incurs. Because catastrophes can introduce outsized losses in any given year, we relied on five-year averages.

However, loss ratios are not simply a measure of the propensity of a state to experience large losses. Insurance regulators are charged with ensuring that rates are neither excessive nor insufficient (also that they are not discriminatory). If insurers are charging appropriate amounts for the coverage

TABLE 6: AUTO INSURANCE MARKETS

State	Concentration		Residual		Loss Ratio		Totals	
	HHI	Score	(%)	Score	(%)	Score	Raw	Weighted
AK	1711.8	-15	0.0	0	56.0	0	-15	9.2
AL	1166.8	0	0.0	0	64.7	0	0	12.7
AR	1068.0	0	0.0	0	62.3	0	0	12.7
AZ	870.1	5	0.0	0	64.1	0	5	13.8
CA	757.6	10	0.0	0	62.7	0	10	15.0
CO	947.7	5	0.0	0	70.8	0	5	13.8
CT	791.1	10	0.0	0	64.7	0	10	15.0
DE	1264.3	-5	0.0	0	65.1	0	-5	11.5
FL	1116.9	0	0.0	0	66.6	0	0	12.7
GA	1055.4	0	0.0	0	66.9	0	0	12.7
HI	1325.1	-5	0.9	-5	52.0	-5	-15	9.2
IA	1012.2	5	0.0	0	61.2	0	5	13.8
ID	834.4	5	0.0	0	57.4	0	5	13.8
IL	1328.2	-5	0.0	0	61.6	0	-5	11.5
IN	947.2	5	0.0	0	61.5	0	5	13.8
KS	943.9	5	0.2	-5	62.3	0	0	12.7
KY	1151.8	0	0.0	0	67.5	0	0	12.7
LA	1586.9	-10	0.0	0	66.1	0	-10	10.4
MA	1143.7	0	4.4	-10	62.9	0	-10	10.4
MD	1266.1	-5	2.2	-10	65.2	0	-15	9.2
ME	737.6	10	0.1	-5	58.0	0	5	13.8
MI	980.1	5	26.6	-30	117.5	-30	-55	0.0
MN	1087.7	0	0.0	0	60.4	0	0	12.7
MO	1043.9	0	0.0	0	64.1	0	0	12.7
MS	1162.1	0	0.0	0	66.1	0	0	12.7
MT	1043.2	0	0.0	0	61.8	0	0	12.7
NC	900.8	5	31.8	-35	64.3	0	-30	5.8
ND	790.4	10	0.0	0	56.1	0	10	15.0
NE	1025.8	5	0.0	0	68.7	0	5	13.8
NH	794.9	10	0.3	-5	60.5	0	5	13.8
NJ	982.2	5	1.0	-5	66.2	0	0	12.7
NM	1039.3	5	0.0	0	62.9	0	5	13.8
NV	874.7	5	0.0	0	63.8	0	5	13.8
NY	1422.5	-5	0.6	-5	67.5	0	-10	10.4
OH	865.3	5	0.0	0	60.5	0	5	13.8
OK	1040.1	0	0.0	0	67.0	0	0	12.7
OR	1003.0	5	0.0	0	62.2	0	5	13.8
PA	1005.8	5	0.2	-5	63.9	0	0	12.7
RI	983.6	5	4.1	-10	68.7	0	-5	11.5
SC	1167.6	0	0.0	0	67.8	0	0	12.7
SD	844.8	5	0.0	0	72.0	0	5	13.8
TN	1123.2	0	0.0	0	67.1	0	0	12.7
TX	868.5	5	0.1	-5	63.7	0	0	12.7
UT	820.8	10	0.0	0	61.3	0	10	15.0
VA	1021.5	5	0.0	0	63.2	0	5	13.8
VT	771.6	10	0.3	-5	61.0	0	5	13.8
WA	808.7	10	0.0	0	62.3	0	10	15.0
WI	962.8	5	0.0	0	63.8	0	5	13.8
WV	1301.0	-5	0.0	0	55.0	-5	-10	10.4
WY	1207.0	0	0.0	0	63.8	0	0	12.7

SOURCES: SNL Financial, AIPSO, Annual Reports

they sell, rates should be relatively higher in riskier states and lower in less risky states, but equivalent loss ratios would be seen across the board, particularly over a longer time horizon.

6. Auto Insurance Markets (15 percent of total score)

Residual Auto Market: In the business of insurance, there perhaps has been no greater victory of markets over command-and-control regulation than the massive reduction in the size of state residual auto insurance markets over the past 30 years. Where these entities once insured as much as half or, in some states, more than half of all private-passenger auto risks, as of 2014, they represent less than 1 percent of what is a $190.59 billion nationwide market.

The incredible reduction of the residual auto market is due to two factors: regulatory liberalization and technological progress. Where once, nearly all states required auto-insurance rates be developed via collusive industry-run rate bureaus, only North Carolina continues to maintain a pure rate-bureau system for auto insurance and even there, the insurance department has moved to allow some innovative product filings outside of the system. As companies became more free to develop their own rating factors and discounts, they also invested heavily in advanced computer models that take advantage of deep troves of data on consumers' credit, driving history, occupations, education levels and where, when and how they drive, to craft rates bespoke to individual drivers. More recently, advances in technologies known collectively as "telematics" has permitted some companies to begin offering rates that are charged per-mile and that take into account drivers' real-time performance on the road to segment rates.

Today, 45 jurisdictions maintain assigned-risk "Automobile Insurance Plans" for applicants who can't find coverage in the voluntary market. In an assigned-risk AIP, residual market risks are shared equitably among all carriers licensed to write business in the state. Most are exceedingly small, although those in Hawaii and New Jersey account for about 1 percent of the market and Rhode Island's accounts for 4.1 percent of the premiums paid for auto liability insurance.

In Massachusetts, the AIP is slightly larger, at 4.4 percent of the market for personal injury protection coverage. But thanks to auto insurance reforms signed in 2008 by outgoing Gov. Deval Patrick that phased out the Commonwealth Auto Reinsurers mechanism, Massachusetts' AIP now has less half of the market share CAR had when the state initiated its "managed competition" program seven years ago.

Four other states – Florida, Hawaii, Minnesota and New York – operate joint underwriting authorities, but all represent less than 1 percent of the market. In addition, Maryland has a state fund mechanism, the Maryland Automobile Insurance Fund, to provide automobile insurance to applicants who cannot obtain coverage in the voluntary market. It holds a 2.2 percent share of the market for auto liability insurance.

Two other states – New Hampshire and North Carolina – maintain automobile reinsurance facilities through which auto insurers provide liability coverage and service claims. Policies initially are written by private carriers, but an insurer operating in those states then chooses whether it wishes to retain the risks or cede them to the reinsurance pool. Premiums ceded to New Hampshire's reinsurance facility represent only about 0.3 percent of the market, while the $845.7 million of earned premiums ceded last year to the North Carolina Reinsurance Facility represented nearly a third of the auto liability premium written in the state.[85]

While not technically a residual-market mechanism, we also included in this section the Michigan Catastrophic Claims Association. An outgrowth of Michigan's unique law that every carrier must provide uncapped lifetime personal injury protection benefits, the MCCA is a state-backed reinsurance facility to which Michigan auto insurers cede the risk of PIP claims that exceed $545,000. Its $1.35 billion of ceded premium last year represented about 26.6 percent of the PIP premiums written in the state.[86]

Using underwriting data reported to the Automobile Insurance Plan Service Office, as well as the MCCA and North Carolina Reinsurance Facility's annual reports and the reports of various other independent residual-market mechanisms, we calculated the mean market share of auto residual markets last year to be 1.5 percent, with a standard deviation of 5.8 percentage points.

We deducted -5 points from nine states whose residual market was greater than 0.1 percent, but less than the mean. Three states (Maryland, Massachusetts and Rhode Island) saw -10 points deducted for having residual market entities that were greater than the mean by less than a standard deviation. Michigan was penalized -30 points for a residual market that was more than four standard deviations larger than the mean, while North Carolina, at more than five standard deviations above the mean, was deducted -35 points.

Auto Insurance Concentration: On a nationwide basis, the auto insurance market last year had an HHI score of 754.0, while the mean HHI score of the 50 states was 1039.4, with a standard deviation of 208.8. Under the metrics used by the DOJ and FTC, Louisiana and Alaska were the only states with auto insurance markets that would be considered moderately concentrated and no state would be considered highly concentrated.

We assigned +5 points to 20 states with an HHI below the mean and +10 points to eight states (California, Connecticut, Maine, New Hampshire, North Dakota, Utah, Vermont and Washington) that were more than a standard deviation below the mean.

Six other states that were more than a standard deviation above the mean (Delaware, Hawaii, Illinois, Maryland, New York and West Virginia) saw -5 points deducted and the two states that were more than two standard deviations above the mean (Louisiana and Alaska) saw -10 points deducted.

Auto Insurance Loss Ratios: In the auto insurance market, the nationwide five-year average loss ratio was 66.3. The mean of the 50 states was 64.5, with a standard deviation of 8.6.

There were two outliers (Hawaii and West Virginia) that saw -5 points deducted for excessively low five-year loss ratios that were more than a standard deviation below the mean. At the other end of the spectrum, -30 points was deducted for Michigan, whose five-year loss ratio of 117.5 was more than six standard deviations above the mean. However, it should be noted that Michigan's loss ratio has been coming down in recent years. It's fallen from 144.1 in 2011, to 127.2 in 2012, to 115.4 in 2013 and, finally, to 88.12 in 2014.

Taken together, states' scores in the Auto Insurance Markets category range from a high of +10 in five states (California,

85. North Carolina Reinsurance Facility, "2015 Annual Report," November 2015. http://www.ncrb.org/Portals/5/ncrf/annual%20reports/NCRF%202015%20Annual%20Report%20%20Hi-Res%20Final.pdf

86. Michigan Catastrophic Claims Association, "Annual Statement of the Michigan Catastrophic Claims Association," June 30, 2015. http://www.michigancatastrophic.com/Portals/71/Annual_Statement_June_30_2015_Summary.pdf

TABLE 7: HOMEOWNERS INSURANCE MARKETS

State	Concentration		Residual		Loss Ratio		Totals	
	HHI	Score	(%)	Score	(%)	Score	Raw	Weighted
AK	2025.2	-15	0.0	0	48.2	0	-15	4.3
AL	1351.4	-5	1.3	-5	79.1	0	-10	6.4
AR	1180.5	0	0.0	0	66.0	0	0	10.7
AZ	938.7	5	0.0	0	77.4	0	5	12.9
CA	934.6	5	7.5	-15	44.5	0	-10	6.4
CO	1012.1	5	0.0	0	94.6	-5	0	10.7
CT	568.0	10	0.3	-5	60.3	0	5	12.9
DE	1150.2	0	0.1	-5	50.2	0	-5	8.6
FL	412.6	15	19.3	-35	30.4	-5	-25	0.0
GA	1226.9	0	0.8	-5	67.0	0	-5	8.6
HI	1756.7	-10	1.0	-5	21.7	-10	-25	0.0
IA	1144.0	0	0.1	-5	75.4	0	-5	8.6
ID	849.3	5	0.0	0	55.9	0	5	12.9
IL	1487.0	-5	0.2	-5	75.5	0	-10	6.4
IN	1040.5	0	0.1	-5	68.0	0	-5	8.6
KS	1028.4	0	0.5	-5	70.1	0	-5	8.6
KY	1301.6	0	0.5	-5	66.5	0	-5	8.6
LA	1111.2	0	3.7	-10	35.6	-5	-15	4.3
MA	576.2	10	6.5	-15	45.6	0	-5	8.6
MD	1017.3	5	0.1	-5	66.7	0	0	10.7
ME	577.5	10	0.0	0	43.7	-5	5	12.9
MI	968.8	5	0.7	-5	64.0	0	0	10.7
MN	1098.9	0	0.2	-5	61.0	0	-5	8.6
MO	1184.7	0	0.1	-5	72.6	0	-5	8.6
MS	1317.7	0	3.0	-10	61.6	0	-10	6.4
MT	1193.9	0	0.0	0	95.7	-5	-5	8.6
NC	882.6	5	8.0	-20	64.0	0	-15	4.3
ND	819.5	5	0.0	0	40.8	-5	0	10.7
NE	1148.5	0	0.0	0	97.7	-10	-10	6.4
NH	610.3	10	0.0	0	47.2	0	10	15.0
NJ	547.8	10	0.3	-5	72.3	0	5	12.9
NM	1188.8	0	0.7	-5	58.8	0	-5	8.6
NV	995.7	5	0.0	0	46.8	0	5	12.9
NY	740.7	5	0.5	-5	53.1	0	0	10.7
OH	861.1	5	0.6	-5	71.4	0	0	10.7
OK	1312.3	0	0.0	0	97.4	-5	-5	8.6
OR	1209.8	0	0.1	-5	45.2	0	-5	8.6
PA	1015.3	5	0.2	-5	66.5	0	0	10.7
RI	717.8	10	3.5	-10	44.6	0	0	10.7
SC	899.9	5	1.3	-5	53.3	0	0	10.7
SD	843.5	5	0.0	0	93.3	-5	0	10.7
TN	1229.8	0	0.0	0	97.7	-10	-10	6.4
TX	1113.0	0	5.3	-15	53.4	0	-15	4.3
UT	901.5	5	0.0	0	54.2	0	5	12.9
VA	958.9	5	0.6	-5	51.3	0	0	10.7
VT	661.3	10	0.0	0	52.8	0	10	15.0
WA	955.0	5	0.0	0	49.7	0	5	12.9
WI	909.6	5	0.1	-5	63.0	0	0	10.7
WV	1209.6	0	0.1	-5	64.1	0	-5	8.6
WY	1294.3	0	0.0	0	74.3	0	0	10.7

SOURCES: SNL Financial, PIPSO, Annual Reports

Connecticut, North Dakota, Utah and Washington) to a low of -55 in Michigan. Those raw scores are then translated into a weighted score of between 0 and 15, as the category represents 15 percent of the total score.

7. Homeowners Insurance Markets (15 percent of total score)

Residual Homeowners Market: Similar to the residual auto insurance market, residual homeowners insurance mechanisms exist to serve insureds who cannot find coverage in the private voluntary market. Thirty states and the District of Columbia operate what are called Fair Access to Insurance Requirements plans, originally created primarily to serve urban consumers, particularly in areas where "redlining" practices made it difficult for homeowners to obtain coverage.

In addition, five states sponsor specialized pools for coastal windstorm risks, typically called "beach plans." Mississippi, North Carolina and Texas operate both FAIR plans and wind pools, while Alabama and South Carolina only operate wind pools. Florida and Louisiana sponsor state-run insurance companies that serve both the coastal and FAIR plan markets, while California sponsors a privately financed, government-run pool solely to cover earthquake risk. In addition, Florida sponsors a state-run reinsurer, the Florida Hurricane Catastrophe Fund, to which all insurers writing residential property coverage in the state must cede premium.

While most FAIR plans are quite small, excessive price controls in some states have prompted significant growth of state-sponsored insurance mechanisms, particularly in the wake of the record 2004 and 2005 hurricane seasons. But according to the Property Insurance Plans Service Office, earned premiums of the nation's FAIR and Beach plans continued to shrink as a percentage of the overall market to 2.4 percent in 2014, down from 2.7 percent in 2013, 3.1 percent in 2012 and 3.3 percent in 2011.[87]

Much of the improvement in recent years is attributable to the continued shrinking of Florida's Citizens Property Insurance Corp., which has dropped from 14.3 percent of the market in 2011 to just 8.5 percent of the market in 2014. Louisiana Citizens also has been rapidly shrinking, from 6.5 percent of the market in 2009 to 3.7 percent of the market in 2014.

However, for the third straight year, North Carolina has seen growth in both its FAIR Plan and its Beach Plan. The FAIR Plan has grown from 0.6 percent of the market in 2011 to 1.7 percent in 2014. Meanwhile, the Beach Plan has exploded from 3.4 percent of the market in 2011 to 6.3 percent in 2014. Combined, the two plans now account for 8.0 percent of the market, rivaling the relative share of Florida's Citizens.

Texas' residual market entities also are once again on the rise. The Texas FAIR plan has grown steadily each of the past four years, from 0.45 percent of the market in 2011 to 0.85 percent in 2014. The Texas Windstorm Insurance Association, after a period of shrinking, grew from 3.8 percent in 2013 to 4.4 percent in 2014.

For this section, we relied on PIPSO data for FAIR and beach plans, except for the Hawaii Property Insurance Association, which reports separately. For Florida, we also counted as part of the residual market the total premiums ceded to the Cat Fund.[88] To avoid double-counting, we subtracted the $345.1 million of premiums ceded to the Cat Fund by Citizens. The remaining $938.7 million accounts for 10.8 percent of Florida's $8.72 billion residential property insurance market.[89]

Given California state law requiring every residential property insurer to offer earthquake coverage – with most routing that coverage to the California Earthquake Authority – we counted the CEA's market share of 6.82 percent using the combined earthquake and homeowners insurance lines of business.

We tallied the total market share of the FAIR plans, beach plans, earthquake pools and property reinsurance facilities for each state. Nationwide, the mean market share of residual homeowners insurance mechanisms was 1.35 percent, with a standard deviation of 3.24 percentage points. Florida was the largest, at 19.3 percent, while 18 states had effectively 0 percent market share.

We subtracted -5 points from 24 states that had at least 0.1 percent market share, but were less than the 1.35 percent mean. We deducted -10 points from three states (Louisiana, Mississippi and Rhode Island) that were above the mean by less than a standard deviation; -15 points from three states (California, Massachusetts and Texas) that were above the mean by more than a standard deviation; -20 points from North Carolina, which was above the mean by more than two standard deviations; and -35 points from Florida, which was above the mean by more than five standard deviations.

Homeowners Insurance Concentration: On a nationwide basis, the homeowners insurance market last year had an HHI score of 663.3 and the mean of the 50 states was 1029.6, with a standard deviation of 300.1. Alaska was the only state with a moderately concentrated homeowners insurance market, as defined by DOJ and the FTC, and no state had a highly concentrated market.

We assigned +5 points to 18 states whose HHI scores were below the mean, and +10 points to seven states (Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, Rhode Island and Vermont) that were more than a standard deviation below the mean. Florida, which was more than two standard deviations below the mean, received +15 points. Illinois and Alabama, which each were more than a standard deviation above the mean, were deducted -5 points; Hawaii, which was more than two standard deviations above the mean, was deducted -10 points; and Alaska, which was more than three standard deviations above the mean, was deducted -15 points.

Homeowners Insurance Loss Ratios: In the homeowners insurance market, the nationwide five-year average loss ratio was 58.4 and the mean of the 50 states was 62.2, with a standard deviation of 17.7.

We deducted -5 points from four states (Florida, Louisiana, Maine and North Dakota) whose loss ratios were more than a standard deviation lower than the mean and -10 points for Hawaii, which was more than two standard deviations below the mean.

At the other end of the spectrum, we deducted -5 points from four states (Colorado, Montana, Oklahoma and South Dakota) whose five-year loss ratios were more than a standard deviation above the mean and -10 points from two states (Nebraska and Tennessee) whose five-year averages were more than two standard deviations above the mean.

Taken together, states' scores in the Homeowners Insurance Markets category range from a high of +10 in New Hampshire and Vermont) to a low of -25 in Florida and Hawaii.

87. Property Insurance Plans Services Office Inc., "2014 FAIR and Beach Plan Underwriting Results and Market Penetration Report," June 2015.

88. Florida Hurricane Catastrophe Fund, "Fiscal Year 2013-2014 Annual Report," States Board of Administration, 2014. http://www.sbafla.com/fhcf/Portals/5/Reports/2013_2014_FHCF_AnnualReportFinal.pdf

89. Citizens Property Insurance Corp., "Annual Statement," Florida Office of Insurance Regulation, Feb. 19, 2015. https://www.citizensfla.com/shared/corpfinance/2014ANNUAL.pdf

TABLE 8: WORKERS' COMP MARKETS

State	Concentration		Residual		Loss Ratio		Totals	
	HHI	Score	(%)	Score	(%)	Score	Raw	Weighted
AK	1604.3	-5	13.5	0	59.1	0	-5	7.9
AL	495.0	5	3.5	5	62.1	0	10	10.0
AR	471.6	5	9.4	0	52.0	-5	0	8.6
AZ	1118.8	0	6.3	5	74.6	0	5	9.3
CA	540.7	5	13.4	0	68.3	0	5	9.3
CO	3681.8	-10	59.8	-15	71.7	0	-25	5.0
CT	739.3	0	6.3	5	74.3	0	5	9.3
DE	492.7	5	7.3	5	88.3	-5	5	9.3
FL	536.6	5	1.3	5	56.1	0	10	10.0
GA	389.6	5	4.4	5	60.2	0	10	10.0
HI	1293.6	-5	27.1	-5	63.7	0	-10	7.1
IA	382.0	5	6.0	5	71.9	0	10	10.0
ID	3884.2	-15	61.6	-15	74.3	0	-30	4.3
IL	348.5	5	4.4	5	72.0	0	10	10.0
IN	337.0	5	0.4	5	66.4	0	10	10.0
KS	524.7	5	8.8	0	59.6	0	5	9.3
KY	1190.3	0	30.8	-5	73.3	0	-5	7.9
LA	898.5	0	23.0	-5	65.7	0	-5	7.9
MA	750.1	0	13.4	0	65.1	0	0	8.6
MD	898.9	0	23.8	-5	78.2	0	-5	7.9
ME	4309.4	-15	64.9	-15	67.4	0	-30	4.3
MI	559.3	5	16.5	0	52.7	-5	0	8.6
MN	425.2	5	12.3	0	65.8	0	5	9.3
MO	772.2	0	20.9	-5	63.1	0	-5	7.9
MS	501.2	5	5.3	5	63.3	0	10	10.0
MT	3818.0	-15	61.6	-15	68.3	0	-30	4.3
NC	368.4	5	1.1	5	67.9	0	10	10.0
ND	10000.0	-20	100.0	-20	61.6	0	-40	2.9
NE	536.6	5	8.0	5	66.0	0	10	10.0
NH	697.7	0	10.6	0	56.4	0	0	8.6
NJ	940.2	0	7.6	5	72.5	0	5	9.3
NM	1591.3	-5	5.7	5	68.9	0	0	8.6
NV	518.2	5	7.4	5	40.3	-5	5	9.3
NY	2239.3	-5	45.1	-10	78.4	0	-15	6.4
OH	10000.0	-20	100.0	-20	96.0	-5	-45	2.1
OK	1292.8	-5	32.4	-5	75.7	0	-10	7.1
OR	4764.8	-15	5.5	5	91.6	-5	-15	6.4
PA	364.3	5	8.5	0	67.4	0	5	9.3
RI	4025.7	-15	62.6	-15	62.6	0	-30	4.3
SC	420.5	5	4.7	5	63.7	0	10	10.0
SD	525.0	5	6.1	5	58.0	0	10	10.0
TN	410.9	5	1.9	5	63.1	0	10	10.0
TX	1830.3	-5	40.1	-10	51.0	-5	-20	5.7
UT	2765.9	-10	51.1	-10	62.6	0	-20	5.7
VA	411.4	5	6.7	5	64.4	0	10	10.0
VT	890.0	0	10.1	0	65.2	0	0	8.6
WA	10000.0	-20	100.0	-20	136.1	-20	-60	0.0
WI	441.1	5	6.2	5	73.8	0	10	10.0
WV	2653.3	-10	5.6	5	41.6	-5	-10	7.1
WY	10000.0	-20	100.0	-20	50.4	-5	-45	2.1

SOURCES: SNL Financial, NCCI, Annual Reports

Those raw scores are then translated into a weighted score of between 0 and 15, as the category represents 15 percent of the total score.

8. Workers' Comp Markets (10 percent of total score)

In 48 states and the District of Columbia, all employers are required to compensate employees for workplace-related accidents and illnesses on a no-fault basis. (Texas and Oklahoma permit employers to opt out into the tort system on a voluntary basis.) As such, workers' compensation insurance is one of the most crucial coverages offered in the commercial property-casualty market. Given its intimate link with labor issues and the broader economy, it also tends to be one of the most politically charged and heavily regulated.

While states tend to permit greater rate-making and underwriting freedom for commercial insurance than for personal lines, given the presumption of competent parties with roughly equal bargaining power, workers' comp rates are in many states just as regulated as home and auto.

Residual Workers' Comp Market: Four states – Ohio, North Dakota, Washington and Wyoming – operate monopolistic workers' comp markets in which the state itself is the only available source of coverage, except for qualified self-insured plans. In addition, 21 states operate competitive workers' comp funds that serve as a market of last resort; in several of those states, it is the leading or even dominant provider. Other states offer varying forms of assigned risk, second injury and other forms of workers' comp residual markets, with many of them administered by the National Council on Compensation Insurance.

The trend of recent years has been away from monopolistic state funds and toward privatization of competitive funds. Nevada had a state monopoly until 1999 and is now an NCCI state. Some states, such as Rhode Island and Maryland, have turned their state funds into mutual insurance companies that also remain markets of last resort. West Virginia maintained a monopoly state fund until 2005, and its former state fund, Brickstreet Mutual, is now a completely private mutual insurance company.

Most recently, Arizona has joined the privatization movement. The state previously maintained a competitive state fund, SCF Arizona, but that entity has been transitioned into a completely private mutual insurer, without any "market of last resort" duties, known as CopperPoint Mutual Insurance Co.[90] The state now separately operates an assigned-risk plan.

A couple of states contract with private insurers to serve as a market of last resort. In Michigan, the residual market is provided by Blue Cross Blue Shield of Michigan, while Nebraska's market is administered by Travelers Indemnity Co.

In Oregon, the market is dominated by SAIF Corp., a not-for-profit company chartered by the state whose board of directors is appointed by the governor. However, though SAIF writes more than 60 percent of the Oregon market, it is not, technically speaking, the state's residual market. Oregon separately operates an assigned-risk plan for employers unable to secure voluntary market coverage. It is that plan's market share that is reflected in this score.

Based on our calculations using data provided by SNL Financial, NCCI and other plan administrators, the nationwide mean market share for workers' comp residual markets – excluding the four monopoly states – was 18.1 percent, with a standard deviation 19.3 percent. They range from 0.4 percent in Indiana to 64.9 percent in Maine.

We awarded +5 points to 22 states whose residual markets were less than the mean by more than half a standard deviation. For six states whose residual markets were greater than the mean by less than a standard deviation (Hawaii, Kentucky, Louisiana, Maryland, Missouri and Kentucky), we deducted -5 points. We deducted -10 points from three states (New York, Texas and Utah) that were more than a standard deviation above the mean and -15 points from five states (Colorado, Idaho, Maine, Montana and Rhode Island) that were more than two standard deviations above the mean. Finally, we deducted -20 points for the four monopolistic states.

90. Angela Gonzales, "SCF Arizona changes name to CopperPoint Mutual Insurance Co.," *Phoenix Business Journal*, Dec. 4, 2013. http://www.bizjournals.com/phoenix/news/2013/12/04/scf-arizona-changes-name-to.html

Workers' Comp Concentration: The concentrations of state workers' comp markets vary much more widely than do those of home and auto insurance. Evidence of this can be seen in the fact that, while the nationwide HHI for workers' comp last year was 279.3, indicating a very competitive market, the mean of the 46 state markets with open competition was 1275.0, with an enormous standard deviation of 1249.3.

We automatically assigned scores of -20 to the four states with monopolistic state funds: Ohio, North Dakota, Washington and Wyoming. A score of -15 was assigned to eight other states – Colorado, Idaho, Maine, Montana, Oregon, Rhode Island, Utah and West Virginia – whose HHI scores were greater than 2,500 and would thus qualify as "highly concentrated" under the standards used by the DOJ and FTC.

Four other states (Alaska, New Mexico, New York and Texas) with "moderately concentrated" markets, measured by HHI scores of between 1,500 and 2,500, were given scores of -10. And two other states, Hawaii and Oklahoma, that were above the mean but less than the 1,500 HHI threshold, were deducted -5 points. We also awarded +5 points to 22 states whose HHI scores were below the mean by more than half a standard deviation.

Workers' Comp Loss Ratios: In the workers' comp market, the nationwide five-year average loss ratio was 68.1 and the mean of the 50 states was 67.5, with a standard deviation of 14.5.

We calculated loss ratios using both SNL data and the annual reports of the four monopoly state funds. We deducted -5 points from six states (Arkansas, Michigan, Nevada, Texas, West Virginia and Wyoming) whose five-year loss ratios were below the mean by more than half a standard deviation.

At the other end of the distribution, -5 points were deducted from three states (Delaware, Ohio and Oregon) whose averages were more than a standard deviation greater than the mean and -20 points was deducted from Washington, which was more than four standard deviations greater than the mean.

Taken together, states' scores in the Workers' Comp category range from a high of +10 in 14 states to a low of -60 in Washington state. Those raw scores are then translated into a weighted score of between 0 and 10, as the category represents 10 percent of the total score.

9. Rate Regulation (10 percent of total score)

When it comes to the design and pricing of insurance products, we believe markets regulate themselves. States impose a variety of schemes to impose controls on how quickly or how sharply premium rates can rise, as well as rules about what are or are not appropriate rating and underwriting factors. However, it should be noted that, ultimately, it is not possible to force an insurer to sell coverage at levels below what they deem to be acceptable risk-adjusted returns.

Leaving the futility of rate controls to the side, it is important to note that not all rate-regulation systems are created equal. Based on a synthesis of both statutory rules compiled by the NAIC, and analysis of how certain states apply the rules on the books, we have classified rate regulation systems into seven categories, from most to least restrictive and distortionary.

No Flexibility: (-15 points) There are two states that, for differing reasons, we place in the category of "no flexibility" – North Carolina and California. North Carolina relies on one of the oldest rate-making systems in the country, one that was still common nationwide a few decades ago, in that it asks insurers in the auto and homeowners insurance markets to submit rate filings en masse through a rate bureau, with those filings given a summary "thumbs-up" or "thumbs-down by the insurance commissioner. While insurers are allowed to deviate downward from the filed rates, they may not exceed them. They also have little to no flexibility in terms of deviating from standardized product designs, meaning that North Carolina consumers largely have no access to innovative new products available in neighboring states. California, by contrast, regulates according to the dictates of the 27-year-old referendum Proposition 103, which mandates certain rating factors, proscribes others and includes a de facto ban on any factor not contemplated when the proposition was passed.

Low Flexibility: (-10 points) There are nine states we place into the "low-flexibility" category and all but one have prior-approval rating systems, in which the regulator must explicitly approve each rate or rating change before an insurer is permitted to deploy it in the market. The lone exception is Florida, which nominally has a file-and-use system, but where the state-run Citizens is required by law to accept any applicant who can produce a quote from even one insurer that charges at least 15 percent more for a similar policy. While great strides have been made to improve Citizens' rate sufficiency, private companies remain limited in their ability to charge rates that are more than 15 percent more than the government agency. The low-flexibility states are: Alabama, Connecticut, Florida, Hawaii, Mississippi, New York, Pennsylvania, Washington and West Virginia.

Below-Average Flexibility: (-5 points) This category is reserved primarily for states that employ relatively inflexible file-and-use systems or for prior-approval states that are, by contrast, relatively flexible. The 12 states that fall into this category, which each saw -5 points deducted, have rules for rate changes that are relatively transparent and predictable, but nonetheless, unnecessarily stringent. The below-average-flexibility states are: Arkansas, Georgia, Louisiana, Massachusetts, Minnesota, Nevada, New Hampshire, New Jersey, New Mexico, North Dakota, Rhode Island and Texas.

Moderate Flexibility: (0 points) The baseline rating of 0 points was reserved for 13 states that maintain conventionally administered file-and-use, use-and-file and flex-rating systems. These systems generally allow the market to set rates, but reserve additional scrutiny for larger rate changes. States included in this category were: Alaska, Colorado, Delaware, Indiana, Kansas, Maryland, Maine, Michigan, Montana, Nebraska, Oregon, South Dakota and Tennessee.

Above-Average Flexibility: (5 points) Some states maintain rate-filing systems that are only lightly administered or, in the case of Kentucky and South Carolina, flex-band systems that truly are flexible. Insurance commissioners retain the authority to disapprove rates or delay their implementation, but typically only exercise that authority in particularly extreme cases. The nine states included in this category, which each received +5 points, were Arizona, Iowa, Idaho, Kentucky, Oklahoma, South Carolina, Utah, Virginia and Wisconsin.

High Flexibility: (10 points) A handful of states (Missouri, Ohio, Vermont and Wyoming) have rate-filing systems where interventions to disallow a filed rate are limited to cases either where the rating system may have a discriminatory impact or where it is likely to prove inadequate and endanger the company's solvency. Missouri and Vermont's systems are nominally use-and-file, Ohio's is file-and-use and Wyoming is, during conditions of competitive markets, a no-file state. These states were judged to have high flexibility and received +10 points.

No File: (15 points) Illinois is unique in that insurers generally do not have to file rates at all, although they must keep documentation of their rates available for regulators to review. This system's nearly pure free market in insurance rates was awarded +15 points.

Taken together, states' scores in the Rate Regulation category range from a high of +15 in Illinois to a low of -15 in California and North Carolina. Those raw scores are then translated into a weighted score of between 0 and 10, as the category represents 10 percent of the total score.

10. Underwriting Freedom (10 percent of total score)

Regulatory Clarity: Rule of law requires that regulations be clear and consistently applied. Neither companies nor consumers can abide by the rules if they cannot anticipate how

TABLE 9: RATE REGULATION AND UNDERWRITING FREEDOM

State	Rate Regulation		Underwriting Freedom		Totals	
	Raw	Weighted	Transparency	Restrictions	Raw	Weighted
AK	0	5.0	0	0	0	7.1
AL	-10	1.7	-10	0	-10	4.3
AR	-5	3.3	-10	0	-10	4.3
AZ	5	6.7	0	0	0	7.1
CA	-15	0.0	-10	-15	-25	0.0
CO	0	5.0	0	-5	-5	5.7
CT	-10	1.7	-10	-5	-15	2.9
DE	0	5.0	-10	0	-10	4.3
FL	-10	1.7	-10	-5	-15	2.9
GA	-5	3.3	-10	0	-10	4.3
HI	-10	1.7	0	-10	-10	4.3
IA	5	6.7	0	0	0	7.1
ID	5	6.7	0	0	0	7.1
IL	15	10.0	10	0	10	10.0
IN	0	5.0	0	0	0	7.1
KS	0	5.0	0	0	0	7.1
KY	5	6.7	0	0	0	7.1
LA	-5	3.3	10	0	10	10.0
MA	-5	3.3	-10	-10	-20	1.4
MD	0	5.0	-10	-10	-20	1.4
ME	0	5.0	0	0	0	7.1
MI	0	5.0	0	-5	-5	5.7
MN	-5	3.3	0	0	0	7.1
MO	10	8.3	0	-5	-5	5.7
MS	-10	1.7	-10	0	-10	4.3
MT	0	5.0	0	-5	-5	5.7
NC	-15	0.0	10	-5	5	8.6
ND	-5	3.3	0	0	0	7.1
NE	0	5.0	0	0	0	7.1
NH	-5	3.3	-10	-5	-15	2.9
NJ	-5	3.3	0	-5	-5	5.7
NM	-5	3.3	0	0	0	7.1
NV	-5	3.3	0	0	0	7.1
NY	-10	1.7	-10	0	-10	4.3
OH	10	8.3	10	0	10	10.0
OK	5	6.7	0	0	0	7.1
OR	0	5.0	0	0	0	7.1
PA	-10	1.7	0	0	0	7.1
RI	-5	3.3	0	0	0	7.1
SC	5	6.7	10	0	10	10.0
SD	0	5.0	0	-5	-5	5.7
TN	0	5.0	0	0	0	7.1
TX	-5	3.3	0	0	0	7.1
UT	5	6.7	0	0	0	7.1
VA	5	6.7	0	0	0	7.1
VT	10	8.3	10	0	10	10.0
WA	-10	1.7	0	-5	-5	5.7
WI	5	6.7	0	0	0	7.1
WV	-10	1.7	0	0	0	7.1
WY	10	8.3	0	0	0	7.1

they will be applied and interpreted. By and large, insurers give state insurance departments good marks on this front, finding most states to be forthright and transparent in their dealings.

However, some states have become notorious for what the industry commonly calls "desk drawer rules," in which regulators' interpretation of ambiguities in the statutory code or inconsistent application of legal provisions creates a lack of clarity.

Where we received reports from more than one source of a state using "desk drawer rules," we assigned a score of -10. Those states were: Alabama, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Maryland, Massachusetts, Mississippi, New Hampshire and New York.

However, we also assigned +10 points to any state that at least two sources identified as being notably transparent in their rule-making and implementation process. Those states were: Illinois, Louisiana, North Carolina, Ohio, South Carolina and Vermont.

Rating Restrictions: As the second component of the Underwriting Freedom category, we looked at restrictions states place on underwriting variables that have been shown to be actuarially credible. These include:

Credit Scoring – The evolution of credit-based insurance scoring arguably has been the biggest factor in massive depopulation of state residual auto insurance markets. In the past, auto insurers had only a limited number of rating factors on which to base their underwriting and rate-setting decisions, and only a limited number of consumers could qualify for preferred standard rates. The discovery of actuarially credible variables tied to credit information has allowed insurers to construct tremendously innovative proprietary rating models that can assign a proper rate to virtually any potential insured.

However, the use of credit in insurance has periodically proven to be politically contentious. Despite studies by, among others, the Federal Trade Commission and the Texas Department of Insurance demonstrating conclusively that credit factors are predictive of future claims,[91] some politicians and much of the general public have remained skeptical.

Responding to concerns about the disparate impact credit-based insurance scoring could have on certain protected populations, roughly three-fifths of the states have passed a model regulation promulgated by the National Conference of Insurance Legislators that bars insurers from using credit scores as the sole factor in determining insurance rates. While reasonable and well-meaning, such regulations are also largely irrelevant, as no insurers use credit scores as their only underwriting variable.

However, a few states have moved beyond the NCOIL model to explicitly ban credit scoring in personal insurance. Hawaii explicitly bans the use of credit in auto insurance underwriting and rate-making, while California and Massachusetts disallow its use under their current regulatory regimes. Maryland has banned its use in homeowners insurance, while Washington state significantly proscribes its consideration in cancellations and nonrenewals. We deducted -10 points for each of the five states with restrictive credit-scoring rules.

Territorial Rating – Where a piece of property is located, or where a car is garaged and driven, can have a large impact on the likelihood that it will experience claims-generating losses. States generally recognize this reality, and permit insurers to consider location as a factor in their underwriting and rate-setting decisions.

Like the use of credit, most states generally prohibit insurers from making territory the sole factor in determining whether and at what price to insure cars and homes. However, in some states, regulators enforce restrictions on the use of territory that are much more stringent than the norm. For nine of those states (California, Colorado, Connecticut, Florida, Maryland, Missouri, New Hampshire, New Jersey and South Dakota), we have deducted -10 points.

Personal Factors – The states of California, Hawaii, Massachusetts and North Carolina prohibit the use of age or gender as underwriting variables, regardless of actuarial validity. Pennsylvania also prohibits consideration of gender, while Michigan and Montana prohibit consideration of either gender or marital status. We have deducted -10 points from each of these seven states.

Taken together, raw scores in the Underwriting Freedom category range from a high of +10, shared by five states (Illinois, Louisiana, Ohio, South Carolina and Vermont) to a low of -25 in California. Those raw scores are then translated into a weighted score between 0 and 10, as the category represents 10 percent of the total score.

PART III – REPORT CARD GRADES

Grading and Results

We calculated scores for every state by adding the weighted results from all 10 variables and calculating a standard deviation from the mean. The mean was 67.5 and the standard deviation was 9.8. States were graded as follows:

More than one standard deviation above the mean: A range
Above the mean by less than one standard deviation: B range
Below the mean by less than one standard deviation: C range
Below the mean by more than one standard deviation: D range
Below the mean by more than two standard deviations: F

We awarded pluses and minuses to recognize states that were at the cusp (within one percentage point) of the nearest grade range.

For the second straight year and third time in the four years we've compiled this report, Vermont had the best insurance regulatory environment in the United States. North Carolina had the worst score, receiving a failing grade for the second straight year.

91. Federal Trade Commission, "Credit-Based Insurance Scores: Impacts on Consumers of Automobile Insurance," July 2007. http://www.ftc.gov/sites/default/files/documents/reports/credit-based-insurance-scores-impacts-consumers-automobile-insurance-report-congress-federal-trade/p044804facta_report_credit-based_insurance_scores.pdf

Capsule summaries of results for each of the 50 states follows:

State Capsule Reports

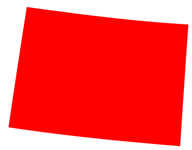
ALABAMA	2014 Grade	2015 Grade
	C+	C
	Score	Rank
	65.8	31
Strengths:	Low politicization, workers' comp market competitiveness	
Weaknesses:	Excessive rate regulation, underwriting-restrictions	

ALASKA	2014 Grade	2015 Grade
	C+	C
	Score	Rank
	65.6	32
Strengths:	Low politicization, antifraud resources	
Weaknesses:	Homeowners insurance market competitiveness	

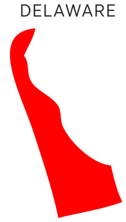
ARIZONA	2014 Grade	2015 Grade
	B	B
	Score	Rank
	76.7	13
Strengths:	Low politicization	
Weaknesses:	Solvency regulation	

ARKANSAS	2014 Grade	2015 Grade
	C	B
	Score	Rank
	69.1	25 (tie)
Strengths:	Low politicization, antifraud resources	
Weaknesses:	Fiscal efficiency	

CALIFORNIA	2014 Grade	2015 Grade
	F	D
	Score	Rank
	52.5	45
Strengths:	Antifraud resources. auto insurance market competitiveness	
Weaknesses:	Politicization, solvency regulation, excessive rate regulation, underwriting restrictions	

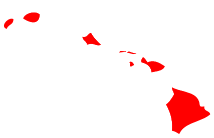
COLORADO	2014 Grade	2015 Grade
	B	B
	Score	Rank
	76.5	14
Strengths:	Low politicization, fiscal efficiency	
Weaknesses:	None	

CONNECTICUT	2014 Grade	2015 Grade
	B-	B
	Score	Rank
	69.1	25 (tie)
Strengths:	Auto insurance market competitiveness	
Weaknesses:	Excessive rate regulation, underwriting restrictions	

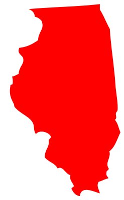
DELAWARE	2014 Grade	2015 Grade
	C-	C
	Score	Rank
	63.4	34
Strengths:	Consumer protection	
Weaknesses:	Politicization	

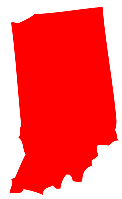
FLORIDA	2014 Grade	2015 Grade
	D+	D
	Score	Rank
	52.4	46
Strengths:	Fiscal efficiency, workers’ comp market competitiveness	
Weaknesses:	Politicization, solvency regulation, homeowners insurance market competitiveness, excessive rate regulation, underwriting restrictions	

GEORGIA	2014 Grade	2015 Grade
	C	C
	Score	Rank
	58.5	40
Strengths:	Workers’ comp market competitiveness	
Weaknesses:	Politicization	

HAWAII	2014 Grade	2015 Grade
	D	D
	Score	Rank
	53.4	44
Strengths:	Antifraud resources	
Weaknesses:	Homeowners insurance market competitiveness, excessive rate regulation, underwriting restrictions	

IDAHO	2014 Grade	2015 Grade
	B+	B
	Score	Rank
	75.0	17
Strengths:	Low politicization, consumer protection, antifraud resources	
Weaknesses:	Fiscal efficiency	

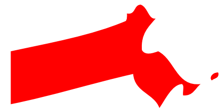
ILLINOIS	2014 Grade	2015 Grade
	A	B
	Score	Rank
	72.1	19 (tie)
Strengths:	Fiscal efficiency, workers’ comp market competitiveness, free-market rates, underwriting freedom	
Weaknesses:	Solvency regulation	

INDIANA	2014 Grade	2015 Grade
	B	C+
	Score	Rank
	67.4	27 (tie)
Strengths:	Workers’ comp market competitiveness	
Weaknesses:	Solvency regulation	

IOWA	2014 Grade	2015 Grade
	A	A
	Score	Rank
	79.8	3
Strengths:	Low politicization, fiscal efficiency, workers’ comp market competitiveness	
Weaknesses:	None	

KANSAS	2014 Grade	2015 Grade
	B	C+
	Score	Rank
	67.2	29
Strengths:	Fiscal efficiency	
Weaknesses:	Politicization	

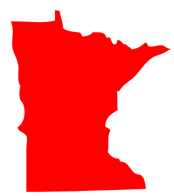
KENTUCKY	2014 Grade	2015 Grade
	A-	A
	Score	Rank
	78.3	5
Strengths:	Low politicization, solvency regulation	
Weaknesses:	None	

MASSACHUSETTS	2014 Grade	2015 Grade
	D	C
	Score	Rank
	58.4	41
Strengths:	Low politicization	
Weaknesses:	Solvency regulation, fiscal efficiency	

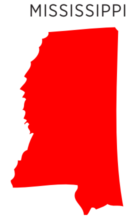
LOUISIANA	2014 Grade	2015 Grade
	D	D
	Score	Rank
	51.0	49
Strengths:	Antifraud resources	
Weaknesses:	Politicization	

MICHIGAN	2014 Grade	2015 Grade
	D	C
	Score	Rank
	60.2	37
Strengths:	Low politicization, fiscal efficiency	
Weaknesses:	Antifraud resources, auto insurance market competitiveness	

MAINE	2014 Grade	2015 Grade
	A-	B
	Score	Rank
	71.4	21
Strengths:	Auto insurance market competitiveness	
Weaknesses:	None	

MINNESOTA	2014 Grade	2015 Grade
	B	C+
	Score	Rank
	67.4	27 (tie)
Strengths:	Low politicization	
Weaknesses:	Consumer protection	

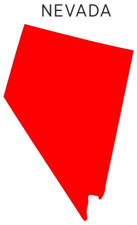
MARYLAND	2014 Grade	2015 Grade
	C	B
	Score	Rank
	72.1	19 (tie)
Strengths:	Low politicization	
Weaknesses:	None	

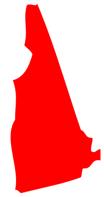
MISSISSIPPI	2014 Grade	2015 Grade
	D+	D+
	Score	Rank
	57.1	42
Strengths:	Workers' comp market competitiveness	
Weaknesses:	Politicization, excessive rate regulation, underwriting restrictions	

MISSOURI	2014 Grade	2015 Grade
	B	B
	Score	Rank
	75.8	15
Strengths:	Low politicization, free-market rates, underwriting freedom	
Weaknesses:	None	

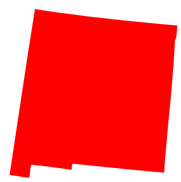
MONTANA	2014 Grade	2015 Grade
	D-	D
	Score	Rank
	54.8	43
Strengths:	Antifraud resources	
Weaknesses:	Politicization, fiscal efficiency	

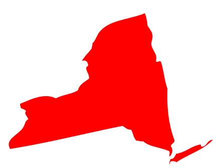
NEBRASKA	2014 Grade	2015 Grade
	B	A-
	Score	Rank
	77.8	6
Strengths:	Low politicization, antifraud resources, fiscal efficiency, workers' comp market competitiveness	
Weaknesses:	None	

NEVADA	2014 Grade	2015 Grade
	B	B+
	Score	Rank
	77.1	10 (tie)
Strengths:	Low politicization, solvency regulation	
Weaknesses:	Excessive rate regulation	

NEW HAMPSHIRE	2014 Grade	2015 Grade
	B-	B
	Score	Rank
	74.5	18
Strengths:	Low politicization, antifraud resources, home-owners insurance market competitiveness	
Weaknesses:	Solvency regulation	

NEW JERSEY	2014 Grade	2015 Grade
	B+	B
	Score	Rank
	71.3	22
Strengths:	Low politicization	
Weaknesses:	Solvency regulation	

NEW MEXICO	2014 Grade	2015 Grade
	B	B
	Score	Rank
	69.4	24
Strengths:	Low politicization, antifraud resources	
Weaknesses:	Consumer protection, fiscal efficiency	

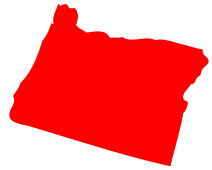
NEW YORK	2014 Grade	2015 Grade
	D	D
	Score	Rank
	51.2	48
Strengths:	Antifraud resources	
Weaknesses:	Solvency regulation, consumer protection, fiscal efficiency, excessive rate regulation, underwriting restrictions	

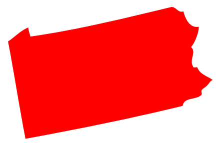
NORTH CAROLINA	2014 Grade	2015 Grade
	F	F
	Score	Rank
	45.6	50
Strengths:	Workers' comp market	
Weaknesses:	Politicization, auto insurance market competitiveness, excessive rate regulation, underwriting restrictions	

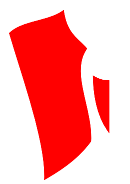
NORTH DAKOTA	2014 Grade	2015 Grade
	C+	C
	Score	Rank
	64.7	33
Strengths:	Consumer protection, auto insurance market competitiveness	
Weaknesses:	Politicization, workers' comp market competitiveness	

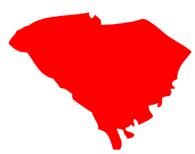
OHIO	2014 Grade	2015 Grade
	A-	B
	Score	Rank
	69.7	23
Strengths:	Free-market rates, underwriting freedom	
Weaknesses:	Workers' comp market competitiveness	

OKLAHOMA	2014 Grade	2015 Grade
	C	C
	Score	Rank
	59.8	38
Strengths:	Underwriting freedom	
Weaknesses:	Politicization	

OREGON	2014 Grade	2015 Grade
	B	B
	Score	Rank
	76.9	12
Strengths:	Low politicization, solvency regulation, fiscal efficiency	
Weaknesses:	Workers' comp market competitiveness	

PENNSYLVANIA	2014 Grade	2015 Grade
	B-	C
	Score	Rank
	60.4	36
Strengths:	Consumer protection	
Weaknesses:	Solvency regulation, consumer protection, excessive rate regulation, underwriting restrictions	

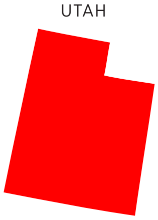
RHODE ISLAND	2014 Grade	2015 Grade
	B	C+
	Score	Rank
	67.1	30
Strengths:	Consumer protection	
Weaknesses:	Excessive rate regulation	

SOUTH CAROLINA	2014 Grade	2015 Grade
	C+	A-
	Score	Rank
	77.5	8
Strengths:	Low politicization, workers' comp market competitiveness	
Weaknesses:	None	

SOUTH DAKOTA	2014 Grade	2015 Grade
	C+	B+
	Score	Rank
	77.1	10 (tie)
Strengths:	Low politicization, antifraud resources, workers' comp market competitiveness	
Weaknesses:	Fiscal efficiency	

TENNESSEE	2014 Grade	2015 Grade
	B	A-
	Score	Rank
	77.7	7
Strengths:	Low politicization, solvency regulation, workers' comp market competitiveness	
Weaknesses:	None	

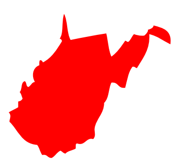
TEXAS	2014 Grade	2015 Grade
	B-	D
	Score	Rank
	51.8	47
Strengths:	Auto insurance market competitiveness	
Weaknesses:	Solvency regulation	

UTAH	2014 Grade	2015 Grade
	A-	A
	Score	Rank
	81.0	2
Strengths:	Low politicization, fiscal efficiency, auto insurance market competitiveness	
Weaknesses:	None	

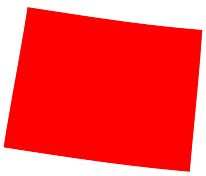
VERMONT	2014 Grade	2015 Grade
	A+	A
	Score	Rank
	84.3	1
Strengths:	Low politicization, antifraud resources, homeowners insurance market competitiveness, free-market rates	
Weaknesses:	None	

VIRGINIA	2014 Grade	2015 Grade
	A	A
	Score	Rank
	78.6	4
Strengths:	Low politicization, workers' comp market competitiveness	
Weaknesses:	None	

WASHINGTON	2014 Grade	2015 Grade
	D+	C
	Score	Rank
	58.9	39
Strengths:	Auto insurance market	
Weaknesses:	Politicization, workers' comp market competitiveness, excessive rate regulation, underwriting restrictions	

WEST VIRGINIA	2014 Grade	2015 Grade
	C	C
	Score	Rank
	61.1	35
Strengths:	Low politicization, antifraud resources	
Weaknesses:	Fiscal efficiency, excessive rate regulation, underwriting restrictions	

WISCONSIN	2014 Grade	2015 Grade
	B	B
	Score	Rank
	75.4	16
Strengths:	Low politicization, workers’ comp market competitiveness	
Weaknesses:	Consumer protection	

WYOMING	2014 Grade	2015 Grade
	B	B+
	Score	Rank
	77.2	9
Strengths:	Low politicization, solvency regulation, free-market rates, underwriting freedom	
Weaknesses:	Workers’ comp market competitiveness	

In conclusion, we are hopeful that R Street’s fourth annual insurance regulation report card proves helpful and informative for consumers, lawmakers, regulators, the insurance industry and the general public. We welcome comments and constructive criticism as look forward to steadily improve the report next year and in the years ahead.

TABLE 10: 50 STATES RANKED BY TOTAL SCORE

State	Polit.	Solv.	Cons.	Fraud	Fiscal	Auto	Home	Comp	Rate Reg	Freedom	Totals	Grade
VT	10.0	6.7	4.0	5.0	3.3	13.8	15.0	8.6	8.3	9.5	84.3	A
UT	10.0	5.0	4.0	4.4	8.3	15.0	12.9	5.7	6.7	9.0	81.0	A
IA	10.0	5.0	4.0	4.4	8.3	13.8	8.6	10.0	6.7	9.0	79.8	A
VA	10.0	5.0	4.0	4.4	5.0	13.8	10.7	10.0	6.7	9.0	78.6	A
KY	10.0	10.0	3.0	3.8	6.7	12.7	8.6	7.9	6.7	9.0	78.3	A
NE	10.0	6.7	4.0	5.0	8.3	13.8	6.4	10.0	5.0	8.6	77.8	A-
TN	10.0	10.0	4.0	4.4	6.7	12.7	6.4	10.0	5.0	8.6	77.7	A-
SC	10.0	5.0	3.0	3.8	6.7	12.7	10.7	10.0	6.7	9.0	77.5	A-
WY	10.0	10.0	4.0	3.1	6.7	12.7	10.7	2.1	8.3	9.5	77.2	B+
SD	10.0	6.7	4.0	5.0	3.3	13.8	10.7	10.0	5.0	8.6	77.1	B+
NV	10.0	10.0	2.0	4.4	3.3	13.8	12.9	9.3	3.3	8.1	77.1	B+
OR	10.0	8.3	3.0	3.1	10.0	13.8	8.6	6.4	5.0	8.6	76.9	B
AZ	10.0	1.7	4.0	4.4	5.0	13.8	12.9	9.3	6.7	9.0	76.7	B
CO	10.0	6.7	4.0	4.4	8.3	13.8	10.7	5.0	5.0	8.6	76.5	B
MO	10.0	5.0	4.0	3.1	6.7	12.7	8.6	7.9	8.3	9.5	75.8	B
WI	10.0	5.0	2.0	3.1	5.0	13.8	10.7	10.0	6.7	9.0	75.4	B
ID	10.0	5.0	5.0	5.0	3.3	13.8	12.9	4.3	6.7	9.0	75.0	B
NH	10.0	0.0	4.0	5.0	6.7	13.8	15.0	8.6	3.3	8.1	74.5	B
IL	8.0	1.7	3.0	3.1	8.3	11.5	6.4	10.0	10.0	10.0	72.1	B
MD	10.0	6.7	3.0	4.4	6.7	9.2	10.7	7.9	5.0	8.6	72.1	B
ME	8.0	6.7	4.0	3.1	5.0	13.8	12.9	4.3	5.0	8.6	71.4	B
NJ	10.0	1.7	4.0	4.4	5.0	12.7	12.9	9.3	3.3	8.1	71.3	B
OH	8.0	3.3	4.0	3.1	6.7	13.8	10.7	2.1	8.3	9.5	69.7	B
NM	10.0	6.7	2.0	5.0	3.3	13.8	8.6	8.6	3.3	8.1	69.4	B
AR	10.0	5.0	4.0	5.0	1.7	12.7	10.7	8.6	3.3	8.1	69.1	B
CT	9.6	3.3	2.0	4.4	3.3	15.0	12.9	9.3	1.7	7.6	69.1	B
IN	8.0	1.7	2.0	3.1	6.7	13.8	8.6	10.0	5.0	8.6	67.4	C+
MN	10.0	3.3	1.0	4.4	6.7	12.7	8.6	9.3	3.3	8.1	67.4	C+
KS	2.0	5.0	4.0	3.8	8.3	12.7	8.6	9.3	5.0	8.6	67.2	C+
RI	8.0	6.7	4.0	3.8	6.7	11.5	10.7	4.3	3.3	8.1	67.1	C+
AL	10.0	5.0	3.0	4.4	5.0	12.7	6.4	10.0	1.7	7.6	65.8	C
AK	10.0	6.7	4.0	5.0	5.0	9.2	4.3	7.9	5.0	8.6	65.6	C
ND	2.0	6.7	5.0	4.4	6.7	15.0	10.7	2.9	3.3	8.1	64.7	C
DE	0.0	5.0	5.0	3.8	6.7	11.5	8.6	9.3	5.0	8.6	63.4	C
WV	10.0	6.7	4.0	5.0	0.0	10.4	8.6	7.1	1.7	7.6	61.1	C
PA	8.0	1.7	0.0	3.8	5.0	12.7	10.7	9.3	1.7	7.6	60.4	C
MI	10.0	3.3	4.0	0.0	10.0	0.0	10.7	8.6	5.0	8.6	60.2	C
OK	0.0	5.0	3.0	4.4	3.3	12.7	8.6	7.1	6.7	9.0	59.8	C
WA	0.0	6.7	4.0	4.4	6.7	15.0	12.9	0.0	1.7	7.6	58.9	C
GA	2.0	5.0	3.0	2.5	3.3	12.7	8.6	10.0	3.3	8.1	58.5	C
MA	10.0	1.7	4.0	3.8	0.0	10.4	8.6	8.6	3.3	8.1	58.4	C
MS	2.0	5.0	4.0	4.4	3.3	12.7	6.4	10.0	1.7	7.6	57.1	D+
MT	0.0	6.7	4.0	5.0	0.0	12.7	8.6	4.3	5.0	8.6	54.8	D
HI	6.0	6.7	4.0	4.4	6.7	9.2	0.0	7.1	1.7	7.6	53.4	D
CA	0.0	0.0	3.0	5.0	6.7	15.0	6.4	9.3	0.0	7.1	52.5	D
FL	2.0	0.0	4.0	4.4	10.0	12.7	0.0	10.0	1.7	7.6	52.4	D
TX	6.0	0.0	4.0	4.4	3.3	12.7	4.3	5.7	3.3	8.1	51.8	D
NY	8.0	1.7	1.0	3.8	0.0	10.4	10.7	6.4	1.7	7.6	51.2	D
LA	2.0	3.3	4.0	4.4	3.3	10.4	4.3	7.9	3.3	8.1	51.0	D
NC	0.0	3.3	4.0	4.4	6.7	5.8	4.3	10.0	0.0	7.1	45.6	F

ABOUT THE AUTHOR

R.J. Lehmann is senior fellow, editor-in-chief and co-founder of the R Street Institute. He is the author of numerous R Street policy papers, including the 2012 to 2015 editions of R Street's Insurance Regulation Report Card.

Before joining R Street, he served as deputy director of the Heartland Institute's Center on Finance, Insurance and Real Estate. He previously he was an award-winning business journalist who spent nine years covering the insurance, banking and securities industries, including as senior industry editor with SNL Financial, leading the news service's coverage of the drafting of the Dodd-Frank Act, the Patient Protection and Affordable Care Act and legislative and regulatory developments at both the state and federal level. Before that, he spent six years with the A.M. Best Co. as manager of their Washington bureau.

He is a three-time award winner from the American Society of Business Publication Editors and was the youngest-ever winner of a first place prize from the New Jersey Press Association. He also is the former public affairs director of the Independent Institute in Oakland, Calif., and the former state chapters coordinator of the Republican Liberty Caucus.

His writings have appeared in the *San Francisco Chronicle*, *Wall Street Journal*, *Roll Call*, *CQ*, *The Hill*, *Townhall.com*, *Reason*, *The American Spectator*, *Orlando Sentinel*, *Travel Weekly* and *Folio* magazine, among other publications.