Free markets. Real solutions.

R STREET POLICY STUDY NO. 163
December 2018

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2018 INSURANCE REGULATION REPORT CARD

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INTRODUCTION

Welcome to the seventh 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 the motto: "Free markets. Real solutions." In keeping with that commitment, we have produced this series of annual reports in each year of our existence to test which state regulatory systems best embody the principles of limited, effective and efficient government. To be sure, we have a bias. We believe governments 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 regulatory systems should lay the minimum possible burden on companies, taxpayers and ultimately, consumers.

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 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. While state banking and securities regulators largely have been pre-empted by federal law, Congress reserved to the states the duty to oversee the "business of insurance" as part of 1945's McCarran-Ferguson Act.[1]

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 in the 1990s, of ensuring solvency. In the vast majority of U.S. states, markets for the common "personal lines" of home and auto insurance meet common statutory definitions for competitiveness. Insolvencies are relatively rare and, through the runoff process and guaranty fund protections enacted in nearly every state, generally quite manageable.

However, there are ways in which the thicket of state-by-state regulations leads to inefficiencies, as well as particular

1. Alan M. Anderson, "Insurance and Antitrust Law: The McCarran-Ferguson Act and Beyond," *William and Mary Law Review* 25:1 (1983), p. 81. http://scholarship.law.wm.edu/cgi/viewcontent.cgi?article=2189&context=wmlr.

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),[2] pure rate regulation remains commonplace in insurance. Some degree of rating and underwriting regulation persists in nearly every one of the 50 states. To a large degree, this is 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 to counter 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 rely on rate bureau recommendations.

In some cases, regulation also may 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. An open and free insurance market maximizes the effectiveness of competition and best serves consumers.

In 2018, we saw progress toward more competitive insurance markets. Residual property insurance mechanisms continued to shrink. Several states, notably Missouri, moved to loosen systems for filing rates and forms in the commercial insurance space. On the other side of the ledger, Illinois—long among the most free-market insurance environments in the nation—introduced stringent controls on its workers' compensation market after overturning Gov. Bruce Rauner's veto.

As it has in years past, the regulatory landscape is changing. We hope this report captures how those changes may impact both the insurance industry and insurance consumers in the days to come.

THE YEAR IN INSURANCE REGULATION

Federal Developments

May – President Donald Trump signed S. 2155, the Economic Growth, Regulatory Relief, and Consumer Protection Act, which revised several requirements imposed by the Dodd-Frank Act of 2010. Included in the package were provisions adapted from H.R. 4537, the International Insurance Standards Act of 2017, requiring executive branch trade officials to confer with state insurance commissioners before negotiating international insurance agreements. Trump issued a signing statement that called into question the constitutionality of that provision.[3]

July – The U.S. House of Representatives passed by voice vote H.R. 4537, the International Insurance Standards Act of 2018. The measure would require that the U.S. state-based system of insurance regulation be recognized as part of any future international insurance agreements.[4] Although not moved as standalone legislation in the Senate, there were legislative efforts as this report went to press to include the measure in the Senate's federal spending bill. The U.S. Treasury Department has expressed concern about that proposal.[5]

December – The U.S. Treasury Department and Office of the U.S. Trade Representative announced they would sign a bilateral "covered agreement" with the United Kingdom to provide "regulatory certainty and market continuity" for insurance and reinsurance after Britain leaves the European Union.[6]

State-by-State Developments

Alaska – In April, Gov. Bill Walker signed a bill that allows insurers to consider a consumer's credit information when renewing personal lines insurance policies. Walker had vetoed a substantially similar piece of legislation a year earlier.[7]

California – In September, Gov. Jerry Brown signed SB 824, compromise legislation that requires insurers to collect fire risk information on their residential policies and prohibits insurers from canceling or nonrenewing policies that lie within or adjacent to a fire perimeter within a year of a wildfire state of emergency.[8]

Connecticut – In April, the state House Judiciary Committee

2. Gene Healy, "Remembering Nixon's wage and price controls," *Washington Examiner*, Aug. 15, 2011. http://www.washingtonexaminer.com/remembering-nixons-wage-and-price-controls/article/40706.

3. Ray Lehmann, "Trump Signals He Won't Defer to States on Insurance Agreements," *Insurance Journal*, May 30, 2018. https://www.insurancejournal.com/blogs/right-street/2018/05/30/490697.htm.

4. "H.R. 4537 International Insurance Standards Act of 2018," 115th Congress. https://www.congress.gov/bill/115th-congress/house-bill/4537/actions.

5. The Editorial Board, "A Treasury Misfire," *Wall Street Journal*, Nov. 28, 2018. https://www.wsj.com/articles/a-treasury-misfire-1543449957?emailToken=620da86c91df95d2f6c6b0eeadc6c462b79flUbuISjTIaYFAg9khCpC3OcfK/pHj8shdE6tt0436Kt1eeOcOo2jfzYuYEw1&reflink=article_email_share.

6. Bethan Moorcraft, "US to sign post-Brexit insurance pact with UK," *Insurance Business America*, Dec. 12, 2018. https://www.insurancebusinessmag.com/us/news/breaking-news/us-to-sign-postbrexit-insurance-pact-with-uk-118692.aspx.

7. Thomas Harman, "Alaska Governor Signs Bill Allowing Insurers to Use Credit Scoring in Personal Lines Renewal," *BestWire*, April 4, 2018.

8. Aura Whittaker, "Governor signs multiple wildfire-related bills," *The Ukiah Daily Journal*, Sept. 24, 2018. https://www.ukiahdailyjournal.com/2018/09/24/governor-signs-multiple-wildfire-related-bills.

defeated a bill that would have required the state's property insurers to cover foundation collapses, primarily in the eastern half of the state, caused by faulty concrete containing the mineral pyrrhotite.[9]

Florida – In January, the state House convened and quickly passed HB 7015, a measure to address the state's assignment-of-benefits crisis and make changes to its so-called "one-way attorney's fee" statute.[10] The bill failed to progress in the state Senate.

Illinois – In November, the state House and Senate both voted successfully to overturn Gov. Rauner's veto of SB 904, a measure to require the Department of Insurance to subject workers' compensation insurance rate filings to prior approval.[11] Rauner had vetoed similar legislation three times in the past four years.

Michigan – In October, the office of Michigan Attorney General Bill Schuette moved to dismiss a lawsuit filed in federal court by the City of Detroit contesting the constitutionality of the state's unique no-fault automobile insurance law, which requires unlimited lifetime medical benefits.[12]

Mississippi – In April, Gov. Phil Bryant signed legislation to take fees currently charged to surplus lines policies to bolster the state's Wind Pool and shift them to the general fund.[13]

Missouri – In July, Gov. Mike Parson signed legislation exempting many commercial lines policies from rate-filing requirements, following similar legislation enacted in Oregon in 2017.[14]

New York – In May, the New York State Department of Financial Services (NYDFS) sanctioned insurance broker Lockton, underwriter Chubb and the National Rifle Association (NRA) for selling liability insurance for owners of firearms. While some of the allegations included violations of state surplus lines declination and anti-rebating rules, the regulatory actions came in the wake of NYDFS Superintendent Maria T. Vullo warning state-chartered banks and insurers to "to continue evaluating and managing their risks, including reputational risks, that may arise from their dealings with the NRA or similar gun promotion organizations."[15]

North Carolina – In April, the Department of Insurance reached an agreement with the North Carolina Rate Bureau to cut the bureau's proposed 18.9 percent average statewide rate increase for dwelling properties to 4.8 percent. The new rates take effect Feb. 1, 2019.[16]

Rhode Island – In June, the General Assembly passed a pair of bills strictly limiting insurers' ability to encourage the use of less expensive after-market car parts. The measures, H 8013 and S 2679, both became law in July when Gov. Gina Raimondo failed to sign or veto them.[17]

Texas – In November, Gov. Greg Abbott moved to suspend any decision on a proposed 10 percent rate increase for the Texas Windstorm Insurance Association (TWIA). While state law provides that the increase would have gone into effect if Insurance Commissioner Kent Sullivan did not make a decision by Oct. 15, Abbott's move froze TWIA's rates until June 2019.[18]

METHODOLOGY

This report card represents our best attempt at an objective evaluation of the regulatory environments in each of the 50 states. It tracks seven broad categories, most of which consist of several variables, to measure: whether states avoid excess politicization; how well they monitor insurer solvency; how efficiently they spend the insurance taxes and fees they collect; how competitive their home and auto insurance markets are; how large their residual markets are; and the degree to which they permit insurers to adjust rates and employ rating criteria as risks and market conditions demand.

Our emphasis is strongly on property-casualty insurance and particularly on the personal lines of business 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

9. Kathleen McWilliams, "Bill Providing Assistance To Homeowners With Failing Foundations Dies In Committee," *Hartford Courant*, April 3, 2018. https://www.courant.com/breaking-news/hc-connecticut-concrete-vote-20180402-story.html.

10. John Haughey, "Florida House's AOB reform bill passes, now waits for Senate response," *Watchdog News*, Jan. 12, 2018. https://www.watchdog.org/florida/florida-house-s-aob-reform-bill-passes-now-waits-for/article_2ccd9a02-f7d3-11e7-a6d9-8bd4fb360e9a.html.

11. Louise Esola, "Illinois lawmakers adopt compromise comp reform bill over governor's veto," *Business Insurance*, Nov. 28, 2018. https://www.businessinsurance.com/article/20181128/NEWS08/912325321/Illinois-lawmakers-adopt-compromise-workers-compensation-reform-bill-over-govern.

12. Thomas Harman, "Michigan Seeks Dismissal of Lawsuit Challenging Constitutionality of State's No Fault Auto Law," *BestWire*, Oct. 9, 2018.

13. Ray Lehmann, "Mississippi Governor Signs Bill to Shift Wind Pool Fees to the Treasury," *Insurance Journal*, April 17, 2018. https://www.insurancejournal.com/blogs/right-street/2018/04/17/486623.htm.

14. "Missouri Bill Exempts Some Commercial Insurance From Rate Filing Requirement," *Insurance Journal*, July 2, 2018. https://www.insurancejournal.com/magazines/mag-features/2018/07/02/493794.htm.

15. R.J. Lehmann, "New York's Assault on the NRA Sets a Dangerous Precedent," *National Review*, June 4, 2018. https://www.nationalreview.com/2018/06/new-york-lawsuit-against-nra-sets-dangerous-precedent.

16. *Insurance Commissioner Causey settles homeowners' insurance rate dispute*, North Carolina Department of Insurance, April 18, 2018. http://www.ncdoi.com/media/news2/year/2018/041818a.asp.

17. Elizabeth Blosfield, "Rhode Island Auto Body Shop Legislation Goes Into Effect," *Insurance Journal,* July 11, 2018. https://www.insurancejournal.com/news/east/2018/07/11/494602.htm.

18. J. Ryan Fowler, "Texas Governor Suspends TWIA Rate Increase," *Merlin Law Group*, Nov. 2, 2018. https://www.propertyinsurancecoveragelaw.com/2018/11/articles/insurance/texas-governor-suspends-twia-rate-increase.

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 seven 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—solvency regulation and underwriting freedom—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. Variables are weighted to provide balance between considering the rules a state adopts and the results it demonstrates, between the effectiveness regulators demonstrate in their core duties and the efficiency a state shows in making use of its resources.

Because we are necessarily limited to those factors that we can quantify for all 50 states, there are many important considerations our report card does 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 National Association of Insurance Commissioners (NAIC) does offer some data that could illuminate how quickly states act on rate-and-product filings,[19] both the sheer volume of filings and the associated difficulties in making apples-to-apples comparisons of states' speed-to-market environments render attempts at comprehensive analysis of such factors across 50 states in multiple lines of business beyond the scope of this report.

TABLE I: POLITICIZATION

State	Commissioner	Actions	Weighted	Points
AK	1	0	1	6.4
AL	0	0	0	5.5
AR	0	0	0	5.5
AZ	5	0	5	10.0
CA	-5	0	-5	0.9
CO	0	0	0	5.5
CT	0	0	0	5.5
DE	-5	0	-5	0.9
FL	3	0	3	8.2
GA	-5	0	-5	0.9
HI	1	0	1	6.4
IA	5	0	5	10.0
ID	5	0	5	10.0
IL	0	-2	-2	3.6
IN	0	0	0	5.5
KS	-5	0	-5	0.9
KY	5	0	5	10.0
LA	-5	0	-5	0.9
MA	0	0	0	5.5
MD	5	0	5	10.0
ME	5	0	5	10.0
MI	5	0	5	10.0
MN	0	0	0	5.5
MO	0	0	0	5.5
MS	-5	-1	-6	0.0
MT	-5	0	-5	0.9
NC	-5	0	-5	0.9
ND	-5	0	-5	0.9
NE	0	0	0	5.5
NH	5	0	5	10.0
NJ	0	0	0	5.5
NM	3	0	3	8.2
NV	1	0	1	6.4
NY	0	-2	-2	3.6
OH	0	0	0	5.5
OK	-5	0	-5	0.9
OR	1	0	1	6.4
PA	5	0	5	10.0
RI	0	-1	-1	4.5
SC	0	0	0	5.5
SD	1	0	1	6.4
TN	0	0	0	5.5
TX	5	-1	4	9.1
UT	0	0	0	5.5
VA	3	0	3	8.2
VT	5	0	5	10.0
WA	-5	0	-5	0.9
WI	0	0	0	5.5
WV	5	0	5	10.0
WY	0	0	0	5.5

SOURCES: NCSL, R Street analysis

19. 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 Policy Study* No. 43, October 2015. http://www.rstreet.org/wp-content/uploads/2015/10/RSTREET43.pdf.

POLITICIZATION (10 PERCENT OF TOTAL SCORE)

The great political scientist Max Weber argued that the most important feature of a modern state is that it be organized into functional offices and that those officeholders be selected based on merit.[20] Moreover, researchers who have examined Weber's insights empirically have demonstrated that bureaucracies characterized by this kind of impartiality, professionalism and competence are strongly correlated with economic growth and negatively correlated with corruption.[21]

This report seeks to apply those insights to the field of insurance regulation. Insurance is a technical matter that, 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 might rear its head.

None of these charges are inherently political in nature. 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 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 and acknowledge the wisdom of republican structures that properly insulate insurance regulators from the fickle winds of politics. Based on descriptions provided by the National Conference of State Legislators (NCSL), we identify five different systems for selecting and appointing insurance commissioners and rate them accordingly.[22]

Elected Commissioner (-5 points): The 11 states in which the insurance commissioner is an elected position automatically received -5 points in the politicization measure. Those states are California, Delaware, Georgia, Kansas, Louisiana, Mississippi, Montana, North Carolina, North Dakota, Oklahoma and Washington State.

Gubernatorial Appointment (0 points): The modal case is a commissioner who is appointed by and serves at the pleasure of the state's governor. There are 19 states with such structure, representing the most common form of insurance commissioner authority.

Administrative Appointment (+1 point): In five states, the commissioner does not serve the governor directly, but instead serves at the pleasure of a different appointed executive officer. In practice, such a structure is nearly equivalent to gubernatorial appointment, but we grant a small bonus to acknowledge the extent to which this buffer might help in some cases to depoliticize some regulatory decisions. The five states with this structure are Alaska, Hawaii, Nevada, Oregon and South Dakota.

Commission Appointment (+3 points): In three states, the insurance commissioner is not appointed by and does not answer to a single figure; rather, the commissioner is selected by and answers to a public board. These structures provide significant independence for the regulator. In New Mexico, the insurance superintendent is selected by the appointed Insurance Nominating Committee. In Virginia, selection is made by the State Corporation Commission, whose three members are selected by the General Assembly for six-year terms. Florida's insurance commissioner can only be appointed or removed by a majority of the Financial Services Commission—whose members are the state's elected governor, chief financial officer, attorney general and agriculture commissioner. Both the governor and chief financial officer must vote with the majority for a motion to appoint or remove to prevail.

Independent Term (+5 points): In a dozen states, the insurance commissioner is appointed (generally by the governor) to a set term of office and cannot be removed without cause. Our scoring recognizes this structure as offering the greatest political independence for the regulator. The 12 states with this structure are Arizona, Idaho, Iowa, Kentucky, Maine, Maryland, Michigan, New Hampshire, Pennsylvania, Texas, Vermont and West Virginia.

In evaluating the politicization of state insurance markets, we also make a handful of adjustments to acknowledge notable regulatory or legislative actions taken in calendar year 2018 that, in our judgment, politicized controversies in the business of insurance. For politicized actions with significant impact, we deduct -2 points, while deducting -1 point for those actions with more modest impact. The two instances where we deducted -2 points this year were:

- Illinois' passage of SB 904, creating a prior approval system for workers' comp.

20. Max Weber, *Economy and Society* (University of California Press, 1978), pp. 220-221.

21. James E. Rauch and Peter B. Evans, "Bureaucracy and Growth: A Cross-National Analysis of the Effects of 'Weberian' State Structures on Economic Growth," *American Sociological Review* 64:5 (Oct. 1999), pp. 748-765. https://www.jstor.org/stable/2657374?seq=1#page_scan_tab_contents.

22. *Insurance State Regulators - Selection and Term Statutes*, National Conference of State Legislators, April 12, 2013. http://www.ncsl.org/research/financial-services-and-commerce/insurance-state-regulators-selection-and-term-stat.aspx.

- New York's regulatory actions against the NRA's "Carry Guard" insurance program.
- We deducted -1 point in recognition of:
- Mississippi's passage of legislation shifting Wind Pool fees to the general fund.
- Rhode Island's passage of restrictions on the use of aftermarket car parts.
- Texas Gov. Abbott's suspension of the usual rate approval process for TWIA.

The results were then summed and weighted to grant states between 0.0 and 10.0 points for the category. Eleven states tied with 10.0 points, while Mississippi rated as the most politicized market in the country.

TABLE 2: FISCAL EFFICIENCY

STATE	REGULATORY SURPLUS			TAX AND FEE BURDEN			TOTAL
	Raw (%)	Weighted	Points	Raw (%)	Weighted	Points	
AK	0.0	0.7	10.0	2.0	-0.2	1.8	11.8
AL	79.2	0.2	9.3	1.6	0.0	2.5	11.8
AR	169.6	-0.3	8.5	1.8	-0.2	2.0	10.5
AZ	0.0	0.7	10.0	1.9	-0.2	1.9	11.9
CA	28.5	0.5	9.8	0.8	0.3	3.7	13.5
CO	0.0	0.7	10.0	0.9	0.3	3.6	13.7
CT	168.6	-0.3	8.5	0.6	0.4	4.1	12.6
DE	237.1	-0.7	7.9	0.2	0.6	4.8	12.6
FL	0.0	0.7	10.0	0.2	0.6	4.7	14.7
GA	165.2	-0.3	8.5	0.9	0.3	3.6	12.1
HI	0.0	0.7	10.0	1.4	0.0	2.7	12.8
IA	120.1	0.0	8.9	0.4	0.5	4.5	13.4
ID	135.1	-0.1	8.8	1.6	0.0	2.5	11.3
IL	99.7	0.1	9.1	0.7	0.4	4.0	13.1
IN	104.2	0.0	9.1	0.7	0.4	4.0	13.1
KS	74.2	0.2	9.4	1.0	0.2	3.4	12.8
KY	188.2	-0.5	8.3	1.1	0.2	3.2	11.5
LA	257.7	-0.9	7.7	2.9	-0.6	0.2	7.9
MA	1,091.0	-5.8	0.0	1.0	0.2	3.5	3.5
MD	5.3	0.6	10.0	1.4	0.0	2.8	12.8
ME	0.0	0.7	10.0	1.2	0.1	3.1	13.1
MI	0.0	0.7	10.0	0.1	0.6	5.0	15.0
MN	47.0	0.4	9.6	1.2	0.1	3.1	12.7
MO	8.2	0.6	10.0	1.0	0.2	3.4	13.4
MS	8.3	0.6	10.0	2.0	-0.2	1.8	11.7
MT	44.8	0.4	9.6	2.1	-0.3	1.7	11.3
NC	17.4	0.6	9.9	1.0	0.2	3.4	13.2
ND	32.2	0.5	9.7	1.1	0.2	3.2	12.9
NE	15.2	0.6	9.9	0.7	0.3	3.9	13.8
NH	43.0	0.4	9.6	1.4	0.0	2.8	12.4
NJ	186.2	-0.4	8.3	0.9	0.3	3.6	11.9
NM	308.4	-1.2	7.2	3.1	-0.7	0.0	7.2
NV	0.0	0.7	10.0	0.2	0.6	4.8	14.9
NY	234.9	-0.7	7.9	1.2	0.1	3.1	10.9
OH	32.3	0.5	9.7	0.8	0.3	3.8	13.5
OK	165.4	-0.3	8.5	1.7	-0.1	2.3	10.8
OR	93.6	0.1	9.2	0.4	0.5	4.4	13.5
PA	166.1	-0.3	8.5	0.9	0.3	3.7	12.2
RI	0.0	0.7	10.0	1.6	0.0	2.4	12.5
SC	175.7	-0.4	8.4	1.1	0.2	3.2	11.7
SD	265.8	-0.9	7.6	1.4	0.0	2.7	10.3
TN	0.2	0.7	10.0	2.3	-0.4	1.3	11.3
TX	111.9	0.0	9.0	1.6	0.0	2.4	11.4
UT	0.0	0.7	10.0	1.1	0.2	3.3	13.4
VA	178.5	-0.4	8.4	1.3	0.1	3.0	11.4
VT	217.8	-0.6	8.0	2.5	-0.5	0.9	8.9
WA	25.5	0.5	9.8	1.5	0.0	2.5	12.3
WI	113.5	0.0	9.0	0.6	0.4	4.0	13.0
WV	201.5	-0.5	8.2	2.0	-0.2	1.8	10.0
WY	4.5	0.6	10.0	0.9	0.3	3.6	13.6

SOURCE: R Street analysis of NAIC data

FISCAL EFFICIENCY (15 PERCENT OF TOTAL SCORE)

Not only must state insurance regulators perform their duties competently and transparently, but they ideally do so with minimal cost to consumers, companies and taxpayers. Taxes and fees paid to support insurance regulation will be passed on as part of the cost of insurance coverage.

States vary in how they collect and allocate funding to their insurance departments. According to the NAIC's Insurance Department Resources Report (IDRR), 18 states and the District of Columbia derive 100 percent of their insurance department revenue from regulatory fees and assessments.[23] Fees and assessments account for more than 90 percent of the budget in 17 other states and for more than 70 percent of the budget in an additional six states.[24] Mississippi saw a radical change from 2016 to 2017, shifting from 100 percent of its revenues drawn from fees and assessments to 100 percent drawn from the state's general fund.

23. 2017 Insurance Department Resources Report, National Association of Insurance Commissioners, p. 31. http://www.naic.org/prod_serv/STA-BB-18-01.pdf.

24. Ibid.

Other states draw on a combination of fees and assessments, fines and penalties, general funds and other sources. Mississippi and South Dakota are the only states whose insurance departments do not directly draw any revenues from the fees and assessments they levy, although fees and assessments also account for less than 5 percent of the budget in North Carolina, Pennsylvania and Rhode Island.[25] In all five of those states, the bulk of the insurance department's operating funds come from the state's general fund.

The NAIC's IDRR also shows that the 50 states, Puerto Rico and the District of Columbia spent $1.40 billion on insurance regulation in 2017, down from $1.43 billion a year earlier.[26] But it is important to note that state insurance departments collected double that amount, $2.80 billion, in regulatory fees and assessments from the insurance industry.[27] State insurance departments also collected $204.3 million in fines and penalties and another $992.1 million of miscellaneous revenue.[28] States separately collected $19.88 billion in insurance premium taxes.[29] Thus, of the total $23.88 billion in revenue that states collected from the insurance industry last year, only 5.9 percent was spent on insurance regulation.

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

Regulatory Surplus – As mentioned, 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 to those regulatory fees and assessments that are paid by insurers and insurance producers, states collected about $1.40 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. But often, they do not. By collecting this regulatory surplus through insurance fees, states are laying a stealth tax on insurance consumers to fund what should be general taxpayer obligations. In a positive sign, states' aggregate regulatory surplus fell by roughly $70 million from 2016, when it was $1.47 billion.[30]

Our calculations show that 10 states collected less in fees and assessments in 2017 than they spent on insurance regulation, giving them a regulatory surplus of $0. Among the 50 states, the mean regulatory surplus was equal to 112.4 percent of a state's budget, albeit with a large standard deviation of 167.3 percentage points.

For our weighted score, we set the mean as 0 and added and subtracted points based on how far each state deviated from that mean. The states ranged from those 10 with no regulatory surplus to Massachusetts, the surplus of which was more than 10 times the size of its insurance department budget. We converted those weighted scores into a scale from 0.0 points for Massachusetts to 10.0 points for the states with no or very little regulatory surplus.

Tax and Fee Burden – We also looked at the total of premium taxes, fees and assessments, and fines and penalties collected by each state, expressed as a percentage of the premiums written in that state.[31] This measure represents the overall fiscal burden state governments place on insurance products. The mean of the 50 states was a tax and fee burden of 1.26 percent, with a standard deviation of 0.65 percentage points. The results ranged from a low of 0.06 percent for Michigan, nearly two standard deviations below the mean, to a high of 3.05 percent for New Mexico, which was more than two standard deviations above the mean.

For our weighted score, we set the mean as 0 and added and subtracted points based on how far each state deviated from that mean. We then converted the weighted scores into our point system, from 0.0 points for New Mexico up to 5.0 points for Michigan.

Taken together, states' scores in the Fiscal Efficiency category range from a high of 10.0 points, scored by Michigan, to a low of 3.5 points, scored by Massachusetts.

25. Ibid.

26. Ibid., p. 29.

27. Ibid., p. 32.

28. Ibid.

29. Ibid.

30. R.J. Lehmann, "2017 Insurance Regulation Report Card," *R Street Policy Study* No. 126, December 2017, p. 12. https://2o9ub0417chl2lg6m43em6psi2i-wpengine.netdna-ssl.com/wp-content/uploads/2018/04/126-1.pdf.

31. Premium data by state were drawn from the *2017 Insurance Department Resources Report: Volume Two*, National Association of Insurance Commissioners, August 2018, p. 7. https://www.naic.org/prod_serv/STA-BB-18-02.pdf.

TABLE 3: SOLVENCY REGULATION

STATE	FINANCIAL EXAMS			RUNOFFS			CAPITALIZATION			TOTAL
	Raw (%)	Weighted	Points	Raw (%)	Weighted	Points	Raw (%)	Weighted	Points	
AK	134.7	0.1	2.7	0.0	0.3	5.0	572.8	0.5	4.6	12.3
AL	90.0	-0.5	1.3	0.0	0.3	5.0	636.9	0.3	4.6	10.9
AR	109.5	-0.3	1.9	0.2	0.3	5.0	511.4	0.5	4.7	11.6
AZ	120.4	-0.1	2.2	8.1	-0.8	4.1	1471.3	-1.0	3.6	10.0
CA	121.9	-0.1	2.3	3.6	-0.2	4.6	527.8	0.5	4.7	11.6
CO	96.6	-0.5	1.5	0.4	0.3	5.0	850.3	0.0	4.3	10.8
CT	106.7	-0.3	1.8	0.1	0.3	5.0	1146.7	-0.5	4.0	10.8
DE	138.7	0.1	2.8	4.5	-0.3	4.5	1080.7	-0.4	4.1	11.4
FL	57.4	-1.0	0.4	1.1	0.2	4.9	912.7	-0.1	4.3	9.5
GA	78.0	-0.7	1.0	0.0	0.3	5.0	1142.4	-0.5	4.0	10.0
HI	281.5	2.1	7.0	0.1	0.3	5.0	225.2	1.0	5.0	17.0
IA	61.1	-0.9	0.5	10.4	-1.2	3.9	504.8	0.6	4.7	9.1
ID	127.6	0.0	2.5	0.0	0.3	5.0	746.9	0.2	4.4	11.9
IL	118.6	-0.1	2.2	3.8	-0.2	4.6	631.9	0.4	4.6	11.3
IN	91.6	-0.5	1.4	0.1	0.3	5.0	563.5	0.5	4.6	11.0
KS	108.3	-0.3	1.9	0.0	0.3	5.0	611.9	0.4	4.6	11.5
KY	305.6	2.5	7.7	1.0	0.2	4.9	810.2	0.1	4.4	17.0
LA	108.3	-0.3	1.9	0.4	0.3	5.0	552.9	0.5	4.6	11.5
MA	116.4	-0.2	2.1	0.7	0.2	4.9	893.6	-0.1	4.3	11.3
MD	112.5	-0.2	2.0	0.8	0.2	4.9	987.8	-0.2	4.2	11.1
ME	97.3	-0.4	1.6	0.0	0.3	5.0	935.5	-0.1	4.2	10.8
MI	172.6	0.6	3.8	0.2	0.3	5.0	800.1	0.1	4.4	13.1
MN	44.8	-1.2	0.0	0.1	0.3	5.0	586.1	0.4	4.6	9.6
MO	87.2	-0.6	1.3	1.8	0.1	4.8	634.8	0.4	4.6	10.6
MS	88.3	-0.6	1.3	0.9	0.2	4.9	810.9	0.1	4.4	10.6
MT	86.6	-0.6	1.2	0.2	0.3	5.0	509.8	0.6	4.7	10.9
NC	112.3	-0.2	2.0	0.1	0.3	5.0	633.7	0.4	4.6	11.5
ND	100.2	-0.4	1.6	0.0	0.3	5.0	436.2	0.7	4.8	11.4
NE	120.9	-0.1	2.3	0.1	0.3	5.0	560.1	0.5	4.6	11.9
NH	96.8	-0.4	1.5	46.4	-6.4	0.0	1207.0	-0.6	3.9	5.5
NJ	107.5	-0.3	1.9	0.0	0.3	5.0	371.3	0.8	4.8	11.7
NM	153.7	0.3	3.2	0.0	0.3	5.0	1418.7	-0.9	3.7	11.9
NV	309.2	2.5	7.8	0.5	0.3	4.9	985.5	-0.2	4.2	16.9
NY	64.6	-0.9	0.6	3.8	-0.2	4.6	951.9	-0.2	4.2	9.4
OH	81.9	-0.7	1.1	2.5	0.0	4.7	835.6	0.0	4.3	10.2
OK	115.0	-0.2	2.1	1.3	0.1	4.9	723.8	0.2	4.5	11.4
OR	153.3	0.3	3.2	0.1	0.3	5.0	980.4	-0.2	4.2	12.4
PA	141.8	0.2	2.9	14.4	-1.8	3.4	939.6	-0.1	4.2	10.5
RI	87.1	-0.6	1.3	1.1	0.2	4.9	1073.9	-0.3	4.1	10.2
SC	89.9	-0.5	1.3	0.6	0.2	4.9	940.1	-0.1	4.2	10.5
SD	80.7	-0.7	1.1	0.0	0.3	5.0	437.2	0.7	4.8	10.8
TN	230.8	1.4	5.5	0.0	0.3	5.0	711.9	0.2	4.5	15.0

TX	124.0	-0.1	2.3	0.2	0.3	5.0	4817.5	-6.3	0.0	7.3
UT	67.7	-0.9	0.7	1.3	0.1	4.9	867.3	0.0	4.3	9.8
VA	161.5	0.5	3.5	0.0	0.3	5.0	766.0	0.1	4.4	12.9
VT	382.6	3.5	10.0	1.2	0.2	4.9	872.9	0.0	4.3	19.2
WA	302.1	2.4	7.6	0.0	0.3	5.0	764.9	0.1	4.4	17.0
WI	67.2	-0.9	0.7	0.0	0.3	5.0	488.1	0.6	4.7	10.4
WV	103.2	-0.4	1.7	0.0	0.3	5.0	800.3	0.1	4.4	11.1
WY	124.3	-0.1	2.4	0.9	0.2	4.9	558.3	0.5	4.6	11.9

SOURCES: NAIC, S&P Global Market Intelligence

SOLVENCY REGULATION (20 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.[32]

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.[33] In response to the threat of pre-emption, state regulators moved in 1994 through the NAIC to create and implement a risk-based capital regime of solvency regulation.[34] That regime has held up remarkably well, although the failure of American International Group during the 2008 financial crisis has prompted an ongoing re-examination of states' oversight of complex insurance and financial services holding companies.

In this section of the report, we examine three key metrics to ascertain, both quantitatively and qualitatively, how well states are discharging their duties to regulate insurer solvency.

Financial Exams – The first metric we use to assess states' solvency regulation is how frequently each department examines the financial strength of companies domiciled within its borders. Under the state-based system of insurance regulation, each domiciliary state is charged with primary responsibility for monitoring their respective domestic insurers' solvency.

States vary greatly in both size and number of domestic insurers. 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 discussed in the Fiscal Efficiency section of this report, for most states, insurance regulation is a profit center.

States conduct two major types of examinations of the companies they regulate: financial exams, which look at a company's assets, liabilities and policyholder surplus; and market conduct exams, which look at a company's business practices and how well it treats 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 markets to either type of exam. In the case of financial exams, states overwhelmingly concentrate their attention on domestic insurers. State insurance codes generally reflect NAIC model law language requiring the insurance commissioner to examine every domestic company at least once every three to five years.[35]

In this report, we attempt to gauge how well states keep 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 having completed for domestic companies in each year from 2013 through 2017.[36] We then compared those figures to the number of domestic companies listed as operating in the state for each of those five years in order 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

32. Laurie Cohen, "Crisis Warning Stirs Insurance Industry Ire," *Chicago Tribune*, Feb. 25, 1990. http://articles.chicagotribune.com/1990-02-25/business/9001160579_1_insurance-commissioners-insurance-regulation-insurance-industry.

33. Kevin Eckstrom, "Federal safety net proposed to back up disaster insurance," *Atlanta Journal-Constitution,* June 25, 1997.

34. Martin Dyckman, "A steep price for reform," St. *Petersburg Times*, Jan. 23, 1996.

35. *Financial Analysis Handbook*, National Association of Insurance Commissioners, 2014, p. 3. https://www.naic.org/prod_serv/FAH-ZU-14.pdf.

36. *Insurance Department Resources Report*: 2013-2017 editions, National Association of Insurance Commissioners.

news is that 31 of the 50 states met that minimum standard, although that necessarily means that 19 states did not. The mean percentage of domestic insurers examined was 128.8 percent, with a standard deviation of 71.6 percentage points.

For our initial weighted score, we set the mean as 0 and added and subtracted points based on how far each state deviated from that mean. The states ranged from Minnesota, which was a bit more than one standard deviation below the mean, to Vermont, which was nearly four standard deviations above it. We then converted those weighted scores into our point scale of 0.0 to 10.0 points.

Runoffs – Measuring the number of financial exams completed offers a quantitative assessment of how robust a state's solvency regulation regime is, but there is a need for qualitative assessments as well. A state could examine every company every year, but if it does not actually catch the problems that lead to insolvency, this would offer little benefit to policyholders.

The best measure we can find to assess the quality of solvency regulation is to look at regulatory runoffs, where an insurer has ceased writing new business and instead chosen to wind down its remaining obligations over time. While runoffs 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 a supervisory rehabilitation, reorganization processes 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 all of the claims liabilities reported by the NAIC as "in-progress" as of Dec. 31, 2017, for each state's insurers that have been placed in runoff, supervision, conservation, receivership or liquidation.37 The totals ranged from Pennsylvania's $14.47 billion to 11 states that had no in-progress runoff claims liability at all.

We scored states based on the proportion of total 2017 net written premiums that the outstanding runoff liabilities represented. States with a high proportion of runoff liabilities were downgraded. Taken together, runoff liabilities represented 2.3 percent of the average state's annual net written premium, with a standard deviation of 6.9 percentage points.

For our initial weighted score, we set the mean as 0 and added and subtracted points based on how far each state deviated from that mean. The results ranged from the 11 states with no liabilities to New Hampshire, whose $4.04 billion of runoff liabilities represent 46.4 percent of 2017 net written premiums—nearly seven standard deviations more than the mean. Those weighted scores were then converted into our point scale of 0.0 to 5.0.

Capitalization – For the final test for how well states are monitoring insurer solvency, we look to 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?

While regulators should encourage new company formation—a quality for which we reward states in the sections of this report dealing with the competitiveness of home and auto insurance markets—one early warning sign of potential solvency issues is when an unusually large market share is held by thinly capitalized insurers. In such cases, an unexpected claims shock—such as a large hurricane or a spate of lawsuits—could create mass insolvencies. This kind of stress event could pose challenges for the guaranty fund system and, in the extreme, holds the potential for cascading insolvencies.

A common metric for measuring an insurance firm's capitalization is its premium-to-surplus ratio, found by dividing a company's written premiums by its 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 to write additional business.

Using 2017 statutory data from S&P Global,[38] we derived the premium-to-surplus ratio of each property-casualty insurance operating unit doing business in each state. Multiplying that ratio by the company's market share across all lines of business and then summing those totals effectively provides a capitalization ratio for the entire state market. (These results necessarily exclude statutory entities like windpools and state compensation funds where such entities do not report policyholder surplus.)

We found a mean capitalization ratio of 856.0 across the 50 states, up from 748.5 a year earlier, and a standard deviation of 627.4. The most strongly capitalized market was found in Hawaii, where the premium-to-surplus ratio clocked in at more than a full standard deviation lower than the mean. Texas had by far the most thinly capitalized market, at more than six standard deviations greater than the mean.

For our initial weighted score, we set the mean as 0 and added and subtracted points based on how far each state

37. *2017 Insurance Department Resources Report*: Volume One, National Association of Insurance Commissioners, June 2018, pp. 46-50. http://www.naic.org/prod_serv/STA-BB-18-01.pdf.

38. *P&C Market Share Application*, S&P Global Market Intelligence, 2018.

deviated from that mean. Those weighted scores were then converted into our point scale of 0.0 to 5.0.

Taken together, states' scores in the Solvency Regulation category range from a high of 19.2 points, scored by Vermont, to a low of 5.5 points, scored by New Hampshire.

TABLE 4: AUTO INSURANCE MARKET

STATE	CONCENTRATION		LOSS RATIO		TOTALS	POINTS
	HHI	Weighted	5-yr avg. (%)	Weighted		
AK	1,753.3	-3.1	60.6	-1.1	-4.2	0.2
AL	1,197.8	-0.6	68.0	0.0	-0.6	6.6
AR	1,113.9	-0.2	66.1	0.0	-0.2	7.3
AZ	886.1	0.8	68.2	0.0	0.8	9.2
CA	783.2	1.3	68.1	0.0	1.3	10.0
CO	952.3	0.5	80.0	-2.3	-1.8	4.4
CT	810.3	1.2	66.9	0.0	1.2	9.8
DE	1,331.8	-1.2	67.0	0.0	-1.2	5.6
FL	1,285.7	-1.0	68.9	0.0	-1.0	5.9
GA	1,015.2	0.2	73.1	-1.1	-0.9	6.1
HI	1,434.8	-1.6	58.4	-1.4	-3.0	2.2
IA	1,027.3	0.2	62.9	-0.6	-0.4	6.9
ID	841.2	1.0	63.6	0.0	1.0	9.5
IL	1,338.6	-1.2	64.4	0.0	-1.2	5.5
IN	954.7	0.5	64.3	0.0	0.5	8.6
KS	921.8	0.7	63.4	-0.6	0.1	7.8
KY	1,164.4	-0.4	67.2	0.0	-0.4	6.9
LA	1,634.1	-2.5	75.1	-1.5	-4.0	0.5
MA	1,094.5	-0.1	63.6	0.0	-0.1	7.5
MD	1,300.9	-1.0	68.6	0.0	-1.0	5.8
ME	759.5	1.4	61.2	-0.9	0.5	8.6
MI	1,058.6	0.0	91.3	-4.3	-4.3	0.0
MN	1,153.2	-0.4	61.6	-0.9	-1.3	5.4
MO	1,056.5	0.0	67.0	0.0	0.0	7.8
MS	1,153.4	-0.4	68.4	0.0	-0.4	7.0
MT	1,099.5	-0.1	65.6	0.0	-0.1	7.4
NC	892.6	0.8	66.3	0.0	0.8	9.1
ND	795.0	1.2	58.6	-1.4	-0.2	7.4
NE	1,012.7	0.2	69.0	0.0	0.2	8.1
NH	823.0	1.1	61.3	-0.9	0.2	8.0
NJ	1,060.7	0.0	65.9	0.0	0.0	7.7
NM	1,075.9	0.0	65.6	0.0	0.0	7.6
NV	943.1	0.6	71.6	-0.9	-0.3	7.1
NY	1,562.0	-2.2	67.2	0.0	-2.2	3.7
OH	890.9	0.8	61.3	-0.9	-0.1	7.5
OK	1,094.4	-0.1	62.9	-0.6	-0.7	6.4
OR	1,005.3	0.3	64.8	0.0	0.3	8.2
PA	1,028.1	0.2	65.6	0.0	0.2	8.0
RI	1,058.6	0.0	70.8	-0.7	-0.7	6.5
SC	1,161.9	-0.4	72.2	-1.0	-1.4	5.2
SD	847.4	1.0	72.1	-1.0	0.0	7.7
TN	1,071.2	0.0	63.5	0.0	0.0	7.7
TX	868.6	0.9	72.0	-0.9	0.0	7.6
UT	780.8	1.3	67.7	0.0	1.3	10.0
VA	1,062.7	0.0	65.3	0.0	0.0	7.7
VT	836.3	1.0	60.6	-1.1	-0.1	7.6
WA	858.1	0.9	67.3	0.0	0.9	9.4
WI	980.9	0.4	64.6	0.0	0.4	8.4
WV	1,323.8	-1.2	55.7	-1.9	-3.1	2.2
WY	1,212.9	-0.7	64.6	0.0	-0.7	6.5

SOURCES: S&P Global Market Intelligence

AUTO INSURANCE MARKET (10 PERCENT OF TOTAL SCORE)

As in past editions of this report card, we examined empirical data on the competitiveness of states' auto and home insurance markets, with a special focus on the concentration and market share of insurance groups within each market. We also looked at the loss ratios experienced by companies operating in those markets.

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 S&P Global, we calculated the concentration of each state's auto insurance market, as measured by the Herfindahl-Hirschman Index (HHI).[39] The HHI, which is used by the U.S. Department of Justice (DOJ) and the Federal Trade Commission (FTC) 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 several separate operating units.

The DOJ and FTC generally consider markets in which the HHI is between 1,500 and 2,500 points to be moderately

39. Ibid.

concentrated, while those in excess of 2,500 points are considered highly concentrated. On a nationwide basis, the auto insurance market last year had an HHI score of 783.2, up from 765.1 last year, while the mean HHI score of the 50 states was 1,067.4, with a standard deviation of 222.7. Under the metrics used by the DOJ and FTC, Alaska, Louisiana and New York were the only states with auto insurance markets that would be considered moderately concentrated, and no state would be considered highly concentrated.

We assigned the mean HHI concentration score a value of 0.0 and weighted states by how many standard deviations they were above or below that baseline. Maine was the least-concentrated auto insurance market, with an HHI score that was 1.4 standard deviations less than the mean. Alaska was the most concentrated, with an HHI score 3.1 standard deviations greater than the mean.

Loss Ratios – In addition to looking at market concentrations in the 50 states, we also used S&P Global data to analyze loss ratios—a key profitability metric.[40] Excess profits indicate an insufficiently competitive market. Insufficient profits indicate one in which insurers cannot charge enough to earn their cost of capital or, in the extreme, to pay policyholder claims.

Over the long run, the property-casualty industry 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"—its losses and expenses expressed as a percentage of its premiums written—tended to run slightly above 100, which indicates underwriting losses.[41] As interest rates have plummeted, modest underwriting profits have become more common, as there has not been sufficient investment income to offset underwriting losses.[42]

We looked at the loss ratios of auto insurance groups 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. To smooth any unusually active or inactive books of business, we relied on five-year averages, from 2013 through 2017.

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 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.

Thus, we look for those states where average loss ratios were either inordinately high or inordinately low. In the auto insurance market, the nationwide five-year average loss ratio was 68.4, up from 67.9 a year earlier. The mean of the 50 states was 66.6, with a standard deviation of 5.7.

After setting the mean loss ratio as zero, for states whose average loss ratios fell within half a standard deviation of the mean, we made no adjustment to their score. For those that were more than half a standard deviation greater than or less than the mean, we subtracted an equivalent number of points from the state's overall auto insurance market competitiveness score.

There were a dozen states that had five-year average loss ratios that were more than half a standard deviation less than the mean, led by West Virginia, which was nearly two standard deviations less than the mean. At the other end of the spectrum, nine states had average loss ratios that were more than half a standard deviation greater than the mean.

In the case of Michigan—the only state in the country that requires auto insurers to provide unlimited lifetime medical benefits—the ratio was 4.3 standard deviations greater than the mean. However, it should be noted that Michigan's loss ratio has fallen precipitously in recent years, from 115.4 in 2013 to 82.8 in 2017.

Taking the concentration and loss ratio scores together gives us a raw total that is then weighted on a scale of 0.0 to 10.0 points. The scores ranged from Michigan, the least competitive market, to Utah and California, which tied for the most competitive market.

TABLE 5: HOMEOWNERS INSURANCE MARKET

STATE	CONCENTRATION		LOSS RATIO		TOTALS	POINTS
	HHI	Weighted	5-yr avg. (%)	Weighted		
AK	1,932.3	-3.3	42.3	-0.9	-4.2	0.0
AL	1,298.6	-1.1	46.4	-0.6	-1.7	4.5
AR	1,181.8	-0.7	53.9	0.0	-0.7	6.3
AZ	863.7	0.4	49.3	0.0	0.4	8.3
CA	835.2	0.5	81.4	-2.0	-1.4	4.9
CO	973.1	0.1	81.7	-2.0	-1.9	4.1

40. Ibid.

41. *The Treasury Yield Curve and Its Impact on Insurance Company Investments*, National Association of Insurance Commissioners, 2017. http://www.naic.org/capital_markets_archive/110422.htm.

42. "Premiums Decline But Combined Ratio Holds Steady Reports Groundhog Day Forecast," *Insurance Journal*, Feb. 2, 2005. https://www.insurancejournal.com/news/national/2005/02/02/50597.htm.

CT	547.4	1.6	40.0	-1.0	0.6	8.5
DE	1,092.8	-0.4	46.0	-0.6	-1.0	5.8
FL	382.8	2.1	42.2	-0.9	1.2	9.7
GA	1,160.9	-0.6	64.5	-0.7	-1.4	5.1
HI	1,480.2	-1.7	29.4	-1.8	-3.5	1.2
IA	1,114.2	-0.4	57.3	0.0	-0.4	6.7
ID	827.6	0.6	61.6	-0.5	0.0	7.5
IL	1,433.8	-1.6	68.6	-1.0	-2.6	2.9
IN	993.5	0.0	54.0	0.0	0.0	7.4
KS	988.8	0.0	47.8	-0.5	-0.5	6.6
KY	1,308.5	-1.1	47.2	-0.5	-1.6	4.6
LA	1,047.5	-0.2	33.6	-1.5	-1.7	4.5
MA	584.6	1.4	49.7	0.0	1.4	10.0
MD	982.4	0.0	51.8	0.0	0.0	7.5
ME	578.1	1.5	43.8	-0.8	0.7	8.6
MI	953.0	0.1	56.9	0.0	0.1	7.7
MN	1,085.5	-0.3	57.0	0.0	-0.3	6.9
MO	1,161.9	-0.6	55.4	0.0	-0.6	6.4
MS	1,234.6	-0.9	52.5	0.0	-0.9	5.9
MT	1,225.3	-0.8	84.5	-2.2	-3.0	2.1
NC	813.6	0.6	48.2	0.0	0.6	8.6
ND	764.2	0.8	50.1	0.0	0.8	8.9
NE	1,086.7	-0.4	105.3	-3.7	-4.1	0.3
NH	594.2	1.4	46.1	-0.6	0.8	8.9
NJ	556.1	1.5	41.8	-0.9	0.6	8.6
NM	1,116.2	-0.5	62.0	-0.6	-1.0	5.7
NV	944.5	0.2	50.1	0.0	0.2	7.8
NY	731.0	0.9	42.3	-0.9	0.0	7.5
OH	847.4	0.5	45.9	-0.6	-0.1	7.3
OK	1,328.6	-1.2	60.5	-0.5	-1.7	4.5
OR	1,126.6	-0.5	53.1	0.0	-0.5	6.6
PA	976.7	0.0	47.8	-0.5	-0.5	6.7
RI	749.7	0.8	51.5	0.0	0.8	9.0
SC	784.3	0.7	44.3	-0.7	0.0	7.5
SD	812.4	0.6	84.5	-2.2	-1.6	4.7
TN	1,189.3	-0.7	51.1	0.0	-0.7	6.2
TX	924.3	0.2	62.7	-0.6	-0.4	6.8
UT	805.1	0.6	50.4	0.0	0.6	8.6
VA	932.8	0.2	47.2	-0.5	-0.3	6.9
VT	679.2	1.1	49.0	0.0	1.1	9.4
WA	917.9	0.2	54.3	0.0	0.2	7.9
WI	890.8	0.3	49.7	0.0	0.3	8.1
WV	1,274.8	-1.0	50.6	0.0	-1.0	5.7
WY	1,275.7	-1.0	63.2	-0.7	-1.7	4.5

SOURCE: S&P Global Market Intelligence

HOMEOWNERS INSURANCE MARKET (10 PERCENT OF TOTAL SCORE)

As with auto insurance markets, we also examined empirical data on the competitiveness of states' homeowners insurance markets, using similar metrics derived from S&P Global data.

Market Concentration – On a nationwide basis, the homeowners insurance market last year had an HHI score of 606.4, down from 629.2 a year earlier, and the mean of the 50 states was 987.8, with a standard deviation of 282.1. 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 the mean HHI concentration score a value of 0.0 and weighted states by how many standard deviations they were above or below that baseline. Florida was the least-concentrated homeowners market, with an HHI score that was 2.1 standard deviations less than the mean. Just as it was in the auto insurance market, Alaska was the most concentrated homeowners insurance market, with an HHI score 3.3 standard deviations greater than the mean.

Loss Ratios – As this year's landfalls of hurricanes Florence and Michael demonstrate, our reliance on five-year average loss ratios is particularly important in the homeowners insurance market, where catastrophes can introduce outsized losses in any given year. The nationwide five-year average loss ratio was 54.7, up from 51.6 a year earlier, and the mean of the 50 states was 54.2, with a standard deviation of 13.8.[43]

There were 12 states with five-year average loss ratios that were more than half a standard deviation greater than the mean, topped by Nebraska, where the homeowners insurance loss ratio was 3.7 standard deviations greater than the mean. At the other end of the scale, 17 states had loss ratios that were more than half a standard deviation below the mean, with Hawaii reporting the absolute lowest loss ratio at 1.8 standard deviations below the mean.

Taking the concentration and loss ratio scores together gives us a raw total that is then weighted on a scale of 0.0 to 10.0 points for the Homeowners Insurance Market category. They ranged from Alaska, which was the least competitive market, to Massachusetts, which was the most competitive.

43. *P&C Market Share Application*, S&P Global Market Intelligence, 2018.

TABLE 6: RESIDUAL MARKETS

STATE	AUTO		HOME		WORKERS' COMP		OTHER		COMBINED	POINTS
	Share (%)	Weighted	Share (%)	Weighted	Share (%)	Weighted	Share (%)	Weighted		
AK	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0
AL	0.0	0.0	0.8	-0.7	0.0	0.0	0.0	0.0	-0.7	14.4
AR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0
AZ	0.0	0.0	0.0	0.0	0.0	0.0	23.7	-2.4	-2.4	13.2
CA	0.0	0.0	0.8	-0.8	10.7	-1.1	39.9	-4.0	-5.8	10.6
CO	0.0	0.0	0.0	0.0	57.7	-5.8	0.0	0.0	-5.8	10.7
CT	0.0	0.0	0.2	-0.2	0.0	0.0	0.0	0.0	-0.2	14.8
DE	0.0	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	-0.1	14.9
FL	0.0	0.0	4.4	-4.3	1.0	-0.1	0.0	0.0	-4.4	11.7
GA	0.0	0.0	0.6	-0.6	0.0	0.0	0.0	0.0	-0.6	14.6
HI	0.3	-0.7	0.0	0.0	26.0	-2.6	0.0	0.0	-3.3	12.5
IA	0.0	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	-0.1	14.9
ID	0.0	0.0	0.0	0.0	59.6	-6.0	0.0	0.0	-6.0	10.5
IL	0.0	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	-0.1	14.9
IN	0.0	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	-0.1	14.9
KS	0.1	-0.2	0.5	-0.5	0.0	0.0	0.0	0.0	-0.7	14.5
KY	0.0	0.0	0.3	-0.3	31.1	-3.1	4.9	-0.5	-4.0	12.0
LA	0.0	0.0	1.8	-1.8	25.3	-2.5	0.0	0.0	-4.3	11.7
MA	1.3	-3.2	6.6	-6.5	0.0	0.0	0.0	0.0	-9.7	7.7
MD	1.5	-3.6	0.0	0.0	22.2	-2.2	0.0	0.0	-5.8	10.6
ME	0.0	0.0	0.0	0.0	67.4	-6.7	0.0	0.0	-6.7	9.9
MI	0.2	-0.4	0.4	-0.4	21.6	-2.2	0.0	0.0	-3.0	12.8
MN	0.0	0.0	0.1	-0.1	12.6	-1.3	0.0	0.0	-1.4	14.0
MO	0.0	0.0	0.1	-0.1	25.3	-2.5	0.0	0.0	-2.6	13.0
MS	0.0	0.0	1.7	-1.6	0.0	0.0	0.0	0.0	-1.6	13.8
MT	0.0	0.0	0.0	0.0	59.9	-6.0	0.0	0.0	-6.0	10.5
NC	30.3	-10.0	10.2	-10.0	0.0	0.0	0.0	0.0	-20.0	0.0
ND	0.0	0.0	0.0	0.0	100.0	-10.0	0.0	0.0	-10.0	7.5
NE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0
NH	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0
NJ	0.3	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	-0.7	14.5
NM	0.0	0.0	0.0	0.0	37.3	-3.7	0.0	0.0	-3.7	12.2
NV	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0
NY	0.4	-0.9	0.0	0.0	38.3	-3.8	4.4	-0.4	-5.2	11.1
OH	0.0	0.0	0.4	-0.4	100.0	-10.0	0.0	0.0	-10.4	7.2
OK	0.0	0.0	0.0	0.0	30.5	-3.1	0.0	0.0	-3.1	12.7
OR	0.0	0.0	0.1	-0.1	70.4	-7.0	0.0	0.0	-7.1	9.7
PA	0.1	-0.2	0.2	-0.2	6.7	-0.7	0.0	0.0	-1.0	14.2
RI	2.1	-5.0	3.7	-3.6	56.1	-5.6	5.5	-0.5	-14.8	3.9
SC	0.0	0.0	0.7	-0.7	8.7	-0.9	0.0	0.0	-1.6	13.8
SD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0
TN	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0
TX	0.0	0.0	4.6	-4.5	42.3	-4.2	0.0	0.0	-8.7	8.5

UT	0.0	0.0	0.0	0.0	50.5	-5.0	0.0	0.0	-5.0	11.2
VA	0.0	0.0	0.6	-0.6	0.0	0.0	0.0	0.0	-0.6	14.6
VT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0
WA	0.0	0.0	0.0	0.0	100.0	-10.0	0.0	0.0	-10.0	7.5
WI	0.0	0.0	0.2	-0.1	0.0	0.0	2.4	-0.2	-0.4	14.7
WV	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	-0.1	15.0
WY	0.0	0.0	0.0	0.0	100.0	-10.0	0.0	0.0	-10.0	7.5

SOURCES: AIPSO, PIPSO, S&P Global Market Intelligence

RESIDUAL MARKETS (15 PERCENT OF TOTAL SCORE)

Residual 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 typically is an implicit assumption that states will stand behind a residual market 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 is 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 or precluding underwriting practices that would allow insurers to segment risk effectively. 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 and auto insurance markets using the most recent available data from the Property Insurance Plans Service Office (PIPSO) and the Automobile Insurance Plans Service Office (AIPSO), respectively. We also made use of S&P Global market share data for workers' compensation state funds. In addition, we include in our analysis other unique state entities that function like residual markets.

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, they now represent less than 1 percent of what is a $231.56 billion nationwide market. According to AIPSO data, residual markets account for less than 0.001 percent of the market in 28 of the 50 states.[44]

Based on AIPSO data, only four states—Maryland, Massachusetts, Rhode Island and North Carolina—have residual markets that account for more than 1 percent of auto insurance policies. Even among that grouping, North Carolina is an outlier. Whereas the residual markets in Maryland, Massachusetts and Rhode Island all account for less than 2 percent of the market, the North Carolina Reinsurance Facility accounts for more than 30 percent of that state's market.

Given North Carolina's extreme outlier status, we measured it separately from the other 49 states. For the 21 states that had roughly ordinary auto residual markets—from the 0.001 percent of the market in California, Florida, Montana and West Virginia to 1.93 percent of the market in Rhode Island—we assigned a penalty of between 0.0 and -5.0, weighted by market share. For North Carolina, we assigned a -10.0 penalty, which understates how exceptionally large it is.

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 (FAIR) plans, originally created primarily to serve urban consumers, particularly in areas where "redlining" practices made it difficult for homeowners to obtain coverage.[45]

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44. Private Passenger Cars Insured in the Shared and Voluntary Markets, 2015, Automobile Insurance Plans Service Office, 2018. https://www.iii.org/publications/a-firm-foundation-how-insurance-supports-the-economy/a-50-state-commitment/insured-cars-by-state.

45. The International Risk Management Institute Inc. defines "redlining" as: "An underwriting practice involving the rejection of a risk based solely on geographical location. This practice is prohibited under the laws of most states as it tends to be discriminatory to minorities." See "Glossary of Insurance & Risk Management Terms," *IRMI Online*, 2018. https://www.irmi.com/online/insurance-glossary/terms/r/redlining.aspx.

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 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 PIPSO, earned premiums of the nation's FAIR and beach plans continued to shrink as a percentage of the overall market to 1.67 percent in 2017, down from 1.72 percent in 2016, 1.87 percent in 2015, 2.38 percent in 2014 and 2.74 percent in 2013.[46]

Bucking the national trend, North Carolina's Beach Plan grew for the sixth straight year. Overall, the Beach Plan has exploded from 3.59 percent of the market in 2012 to 7.59 percent in 2016. Combined with the state's FAIR plan, the two residual markets now account for 10.19 percent of the market.[47]

We tallied the total market share of the FAIR plans and beach plans for each state and weighted them on a scale of 0.0 points for North Carolina up to 10.0 points for the 16 states that have no residual property insurance plan.

Workers' Comp Plans – There are four states—Ohio, North Dakota, Washington and Wyoming—in which the state is the sole provider of workers' compensation insurance. In an additional 19 states, the residual market for workers' comp is satisfied by a "competitive" state fund, which in some cases writes more than half the coverage in the state.

For the four monopoly states, we recorded the state as having 100 percent market share. We used S&P Global market share data to record the respective share of the market written by competitive state fund states.[48] Between 0.0 and -10.0 points were deducted based on each state fund's market share.
Other Plans – We also assigned penalties for a handful of other state-sponsored insurance mechanisms that dampen competition in the private market. The breakdown is as follows:

- -4.0 points were deducted for the California Earthquake Authority, which wrote 39.9 percent of that state's earthquake insurance market.[49]
- -3.0 points were deducted for the Michigan Catastrophic Claims Association (MCCA), a reinsurance fund to which Michigan providers of no-fault personal injury protection (PIP) automobile insurance must cede a statutorily set percentage of premiums. The $1.25 billion of premiums the MCCA collected in 2017[50] represented 30.1 percent of the $4.14 billion of PIP coverage insurers wrote in Michigan last year.[51]
- -0.5 for the Medical Malpractice Joint Underwriting Association of Rhode Island, which wrote 5.5 percent of the state's medical professional liability insurance market.[52]
- -0.5 points for Kentucky Growers Insurance Co., which wrote 4.9 percent of the commonwealth's farmowners insurance market.[53]
- -0.4 points for State Insurance Fund Disability Benefits Fund, which wrote 4.4 percent of New York's accident and health insurance market.[54]
- -0.2 points for the Wisconsin Health Care Liability Insurance Plan, which wrote 2.4 percent of the state's medical professional liability insurance market.[55]

We summed the weighted home, auto, workers' comp and "other" scores to reach a weighted score, which then was translated into our scale from 0.0 points, scored by North Carolina, to 15.0 points, scored by nine states with no significant residual markets.

TABLE 7: RATE REGULATION

STATE	AUTO	HOME	COMP	MEDMAL	COMMERCIAL	COMBINED
AK	1	1	0	0	1	3
AL	0	0	0	0	2	2
AR	2	2	0	0	5	9
AZ	3	3	2	3	3	14
CA	0	0	0	0	0	0
CO	2	2	0	2	5	11
CT	2	2	2	0	2	8
DE	2	2	2	2	2	10
FL	3	2	0	2	2	9
GA	2	2	2	2	5	13

46. "2017 FAIR and Beach Plan Underwriting Results and Market Penetration Report," Property Insurance Plans Services Office, June 2018, p. 5.

47. Ibid, p. 10.

48. *P&C Market Share Application*, S&P Global Market Intelligence, 2018.

49. Ibid.

50. *Annual Statement of the Michigan Catastrophic Claims Administration of Livonia*, Michigan Insurance Department, June 30, 2018, p. 4. http://www.michigan-catastrophic.com/Portals/71/Annual%20Statement%20FYE%20June2018_Final_Summary.pdf.

51. *P&C Market Share Application*, S&P Global Market Intelligence, 2018.

52. Ibid.

53. Ibid.

54. Ibid.

55. Ibid.

HI	0	0	0	0	0	0
IA	3	3	0	0	0	6
ID	3	3	0	3	3	12
IL	5	5	3	2	5	20
IN	2	2	2	2	5	13
KS	2	2	0	2	5	11
KY	3	3	3	3	3	15
LA	0	0	0	0	5	5
MA	0	2	0	2	2	6
MD	0	0	2	0	2	4
ME	2	2	2	2	2	10
MI	2	2	2	2	2	10
MN	2	2	0	2	2	8
MO	3	3	2	3	5	16
MS	0	0	0	0	0	0
MT	2	2	2	2	2	10
NC	0	0	0	0	2	2
ND	0	0	0	0	0	0
NE	2	2	2	0	5	8
NH	2	2	0	3	5	12
NJ	0	0	0	0	3	3
NM	2	2	0	2	5	11
NV	2	2	0	2	2	8
NY	0	0	0	0	2	2
OH	2	2	0	2	2	8
OK	3	3	3	3	3	15
OR	2	2	0	2	5	11
PA	0	0	2	0	5	7
RI	2	2	0	1	5	10
SC	0	0	0	0	0	0
SD	0	0	0	0	5	5
TN	0	0	0	3	3	6
TX	2	2	2	2	2	10
UT	3	3	2	3	3	14
VA	2	2	0	2	5	11
VT	3	3	0	3	3	12
WA	0	0	0	0	3	3
WI	3	3	0	3	3	12
WV	0	0	0	0	2	2
WY	5	5	0	5	5	20

SOURCE: *NAIC Compendium of State Laws on Insurance Topics*

UNDERWRITING FREEDOM (20 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 control 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.

We examine the processes states employ to review rates in five key property-casualty insurance markets: private auto, homeowners, workers' compensation, medical liability and general commercial lines.[56] As demonstrated in Table 7, for each state and each market, we assign:

- 0 points for states that employ a prior-approval filing system, in which all rates must be approved by a regulator before they can be employed.
- +1 point for states that employ "flex band" systems, in which rate changes that exceed a modest percentage band must be submitted for prior approval.
- +2 points for states that employ "file and use" systems, in which an insurer that has filed a rate may begin to use it within a given time frame if the regulator has not objected.
- +3 points for states that employ "use and file" systems, in which an insurer is permitted to begin using a rate even before it has been filed.
- +5 points for states that employ "no file" systems, in which the state either does not require rates to be filed or in which such filings are simply a formality.

Taking those together, we find that Illinois and Wyoming have the most liberal rate-regulation rules. At the other end of the spectrum are five states (California, Hawaii, Mississippi, North Dakota and South Carolina) that employ prior-approval systems across the board.

Desk Drawer Rules – While Table 7 catalogues the states' systems as they exist "on the books," matters are not always so simple. 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 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.

56. *Compendium of State Laws on Insurance Topics: Rate Filing Methods for Property/Casualty Insurance, Workers' Compensation, Title,* National Association of Insurance Commissioners, May 2018 update, pp. II-PA-10-2 to II-PA-10-21.

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 create a lack of clarity. Based on informal discussions with experts who work in regulatory compliance, we evaluated the breadth and severity of these desk drawer rules on a scale of 0 to 3.

We received no reports of significant desk drawer rules in 28 of the 50 states, while five states (Arkansas, California, Georgia, New Jersey and New York) were penalized -3 points for having the most voluminous or onerous desk drawer rules.

Rating Restrictions – Finally, we catalogued state rules that bar or severely restrict insurers' use of underwriting variables that have been shown to be actuarially credible. The discovery of actuarially credible variables tied to credit information and other factors 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 FTC and the Texas Department of Insurance, which demonstrate conclusively that credit factors are predictive of future claims,[57] some states prohibit or severely proscribe its usage as an underwriting and rate-setting variable.

While most states restrict insurers from using credit as a sole underwriting variable, there are six states that go beyond that to ban the practice. Hawaii, California and Massachusetts explicitly ban the use of credit in auto insurance underwriting and ratemaking, while Maryland has banned its use in homeowners insurance. Michigan and Minnesota permit the use of credit in rate-setting but do not permit its consideration in underwriting.[58] We deducted -2 points for each of the six states with restrictive credit-scoring rules.

We also deducted -2 points for each of 12 states (California, Connecticut, Delaware, Maryland, Michigan, Missouri, New Hampshire, New Jersey, New York, Oklahoma and South Dakota) that impose especially stringent restrictions on the use of territory in underwriting and rate-setting.[59] Where a piece of property is located, or where a car is garaged and drive, can have a large impact on the likelihood that the property or car will experience claims-generating losses.

57. *Credit-Based Insurance Scores: Impacts on Consumers of Automobile Insurance*, Federal Trade Commission, 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.

58. *Compendium of State Laws on Insurance Topics: Use of Credit Reports/Scoring in Underwriting*, National Association of Insurance Commissioners, May 2018 update, pp. III-MC-20-1 to III-MC-45-12.

59. *Compendium of State Laws on Insurance Topics: Prohibitions Against Redlining and Other Geographic Discrimination*, National Association of Insurance Commissioners, May 2018 update, pp. III-MC-45-1 to III-MC-20-20.

Taken together with the rate regulation scores, we summed these additional adjustments for rating restrictions to produce weighted scores that were then translated into a scale of 0.0 to 20.0. California was the state most restrictive to underwriting freedom, while Illinois and Wyoming were the most liberal.

TABLE 8: UNDERWRITING FREEDOM

State	RATE REGULATION	DESK DRAWER	CREDIT SCORING	TERRITORY	COMBINED	POINTS
AK	3	-2	0	0	1	5.9
AL	2	-2	0	0	0	5.2
AR	9	-3	0	0	6	9.6
AZ	14	0	0	0	14	15.6
CA	0	-3	-2	-2	-7	0.0
CO	11	0	0	-2	9	11.9
CT	8	-2	0	-2	4	8.1
DE	10	-2	0	-2	6	9.6
FL	9	-2	0	0	7	10.4
GA	13	-3	0	0	10	12.6
HI	0	-2	-2	0	-4	2.2
IA	6	0	0	0	6	9.6
ID	12	0	0	0	12	14.1
IL	20	0	0	0	20	20.0
IN	13	0	0	0	13	14.8
KS	11	-2	0	0	9	11.9
KY	15	0	0	0	15	16.3
LA	5	0	0	0	5	8.9
MA	6	-1	-2	0	3	7.4
MD	4	-2	-2	-2	-2	3.7
ME	10	0	0	0	10	12.6
MI	10	0	-2	-2	6	9.6
MN	8	0	-2	0	6	9.6
MO	16	0	0	-2	14	15.6
MS	0	-1	0	0	-1	4.4
MT	10	-1	0	0	9	11.9
NC	2	0	0	0	2	6.7
ND	0	-1	0	0	-1	4.4
NE	8	0	0	0	8	11.1
NH	12	0	0	-2	10	12.6
NJ	3	-3	0	-2	-2	3.7
NM	11	0	0	0	11	13.3
NV	8	-2	0	0	6	9.6
NY	2	-3	0	-2	-3	3.0
OH	8	0	0	0	8	11.1
OK	15	0	0	-2	13	14.8

OR	11	0	0	0	11	13.3
PA	7	-2	0	0	5	8.9
RI	10	0	0	0	10	12.6
SC	0	-1	0	0	-1	4.4
SD	5	0	0	-2	3	7.4
TN	6	0	0	0	6	9.6
TX	10	0	0	0	10	12.6
UT	14	0	0	0	14	15.6
VA	11	-1	0	0	10	12.6
VT	12	0	0	0	12	14.1
WA	3	-2	-2	0	-1	4.4
WI	12	0	0	0	12	14.1
WV	2	0	0	0	2	6.7
WY	20	0	0	0	20	20.0

SOURCES: NAIC Compendium of State Laws on Insurance Topics, R Street analysis

REPORT CARD GRADES

Grading and Results

We calculated scores for every state by adding the weighted results from all seven variables and calculating a standard deviation from the mean. The mean was 64.8 and the standard deviation was 8.8. States were graded as follows:

More than two standard deviations above the mean: A+
Above the mean by more than one standard deviation: 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
Below the mean by more than two standard deviations: F

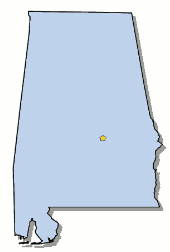
We awarded pluses and minuses to recognize states that were at the cusp of the nearest grade range.

For the fifth straight year and the sixth time in the seven years we have compiled this report, Vermont had the best insurance regulatory environment in the United States. Louisiana had the worst score in the country, edging out second-to-worst New York.

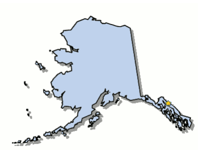
The biggest improvements were seen in Connecticut (from a C+ to a B), Delaware (from an F to a C) and New Hampshire (from a B- to a B+). The biggest declines were seen in South Carolina and Ohio (both from a B to a C).

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

STATE CAPSULE REPORTS



Alabama	2017 Grade	2018 Grade
	C	C
	Score	Rank
	58.9	39
Strengths:	No runoff obligations.	
Weaknesses:	Concentrated homeowners market.	



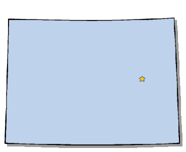
Alaska	2017 Grade	2018 Grade
	D	D
	Score	Rank
	51.6	46
Strengths:	No regulatory surplus, no runoff obligations, small residual markets.	

Weaknesses:	Concentrated auto market, excess auto insurance profits, concentrated homeowners market.

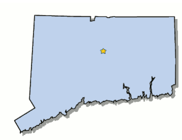
Arizona	2017 Grade	2018 Grade
	A	A
	Score	Rank
	78.1	3
Strengths:	Low politicization, no regulatory surplus, broad underwriting freedom.	
Weaknesses:	Large runoff obligations, thinly capitalized markets.	

Arkansas	2017 Grade	2018 Grade
	B-	B-
	Score	Rank
	65.8	24
Strengths:	Small residual markets.	
Weaknesses:	Desk drawer rules.	

California	2017 Grade	2018 Grade
	D	D
	Score	Rank
	51.6	46
Strengths:	Competitive auto market.	
Weaknesses:	Politicized market, very high homeowners loss ratio, desk drawer rules, credit-scoring restrictions, territorial restrictions.	

Colorado	2017 Grade	2018 Grade
	C	C
	Score	Rank
	60.9	35
Strengths:	No regulatory surplus.	

Weaknesses:	Very high auto loss ratio, very high homeowners loss ratio, large workers' comp state fund, territorial restrictions.

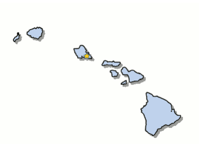
Connecticut	2017 Grade	2018 Grade
	C+	B
	Score	Rank
	70.1	17
Strengths:	Competitive auto market, competitive homeowners market.	
Weaknesses:	Thinly capitalized markets, excess homeowners profits, territorial restrictions.	

Delaware	2017 Grade	2018 Grade
	F	C
	Score	Rank
	60.8	36
Strengths:	Low tax and fee burden.	
Weaknesses:	Politicized market, large regulatory surplus, concentrated auto market, territorial restrictions.	

Florida	2017 Grade	2018 Grade
		B
	Score	Rank
	70.1	17
Strengths:	No regulatory surplus, low tax and fee burden, competitive homeowners market.	
Weaknesses:	Behind on financial exams, concentrated auto market, large homeowners residual market.	

Georgia	2017 Grade	2018 Grade
	C-	C
	Score	Rank
	61.3	33
Strengths:	No runoff obligations.	
Weaknesses:	Politicized market, behind on financial exams, thinly capitalized markets, very high auto loss ratio, desk drawer rules.	

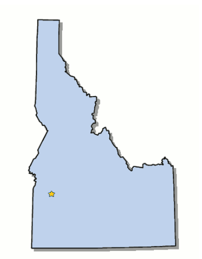
Hawaii



2017 Grade	2018 Grade
D	D
Score	Rank
54.3	42

Strengths:	No regulatory surplus, ahead on financial exams, well-capitalized markets.
Weaknesses:	Concentrated auto market, excess auto insurance profits, concentrated homeowners market, excess homeowners profits, credit-scoring restrictions.

Idaho



2017 Grade	2018 Grade
A	A-
Score	Rank
74.8	6

Strengths:	Low politicization, no runoff obligations, competitive auto market, broad underwriting freedom.
Weaknesses:	Large workers' comp state fund.

Illinois

2017 Grade	2018 Grade
B+	B+
Score	Rank
71.4	13

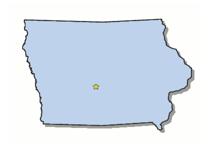
Strengths:	Broad underwriting freedom.
Weaknesses:	Concentrated auto market, concentrated homeowners market, very high homeowners loss ratio.

Indiana

2017 Grade	2018 Grade
B	A-
Score	Rank
75.3	5

Strengths:	Broad underwriting freedom.
Weaknesses:	No special weaknesses.

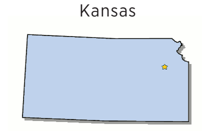
Iowa



2017 Grade	2018 Grade
B	B
Score	Rank
70.7	14

Strengths:	Low politicization, low tax and fee burden, well-capitalized markets.
Weaknesses:	Behind on financial exams, large runoff obligations.

Kansas



2017 Grade	2018 Grade
C	B-
Score	Rank
65.9	23

Strengths:	No runoff obligations.
Weaknesses:	Politicized market.

Kentucky

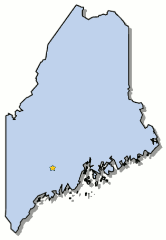
2017 Grade	2018 Grade
B+	A
Score	Rank
78.3	2

Strengths:	Low politicization, ahead on financial exams, broad underwriting freedom.
Weaknesses:	Concentrated homeowners market, large workers' comp state fund.

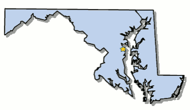
Louisiana

2017 Grade	2018 Grade
F	F
Score	Rank
45.8	50

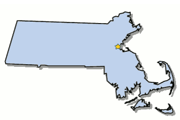
Strengths:	No special strengths.
Weaknesses:	Politicized market, large regulatory surplus, large tax and fee burden, concentrated auto market, very high auto loss ratio, excess homeowners profits, large homeowners residual market.



Maine	2017 Grade	2018 Grade
	B+	A-
	Score	Rank
	73.6	10
Strengths:	Low politicization, no regulatory surplus, no runoff obligations, competitive auto market, competitive homeowners market.	
Weaknesses:	Large workers' comp state fund.	



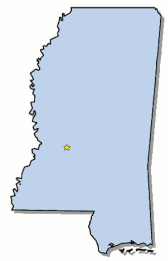
Maryland	2017 Grade	2018 Grade
	B-	C
	Score	Rank
	61.5	32
Strengths:	Low politicization.	
Weaknesses:	Concentrated auto market, large auto residual market, credit-scoring restrictions, territorial restrictions.	



Massachusetts	2017 Grade	2018 Grade
	F	D
	Score	Rank
	52.9	45
Strengths:	Competitive homeowners market.	
Weaknesses:	Large regulatory surplus, large auto residual market, large homeowners residual market, credit-scoring restrictions.	

Michigan	2017 Grade	2018 Grade
	B	B
	Score	Rank
	68.3	21
Strengths:	Low politicization, no regulatory surplus, low tax and fee burden.	
Weaknesses:	Very high auto loss ratio, credit-scoring restrictions.	

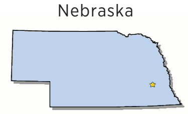
Minnesota	2017 Grade	2018 Grade
	B	C+
	Score	Rank
	63.6	26
Strengths:	No special strengths.	
Weaknesses:	Behind on financial exams, credit-scoring restrictions.	



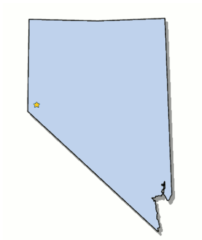
Mississippi	2017 Grade	2018 Grade
	D	D
	Score	Rank
	53.5	43
Strengths:	No special strengths.	
Weaknesses:	Politicized market, large homeowners residual market.	

Missouri	2017 Grade	2018 Grade
	B	B+
	Score	Rank
	72.2	12
Strengths:	Broad underwriting freedom.	
Weaknesses:	Territorial restrictions.	

Montana	2017 Grade	2018 Grade
	D	D
	Score	Rank
	55.0	41
Strengths:	Well-capitalized markets.	
Weaknesses:	Politicized market, very high homeowners loss ratio, large workers' comp state fund.	

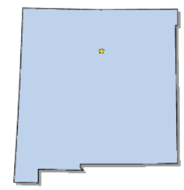


Nebraska	2017 Grade	2018 Grade
	B-	B-
	Score	Rank
	65.7	25
Strengths:	Small residual markets.	
Weaknesses:	Very high homeowners loss ratio.	

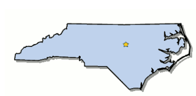
Nevada	2017 Grade	2018 Grade
	A	A
	Score	Rank
	77.7	4
Strengths:	No regulatory surplus, low tax and fee burden, ahead on financial exams, small residual markets.	
Weaknesses:	No special weaknesses.	

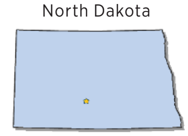
New Hampshire	2017 Grade	2018 Grade
	B-	B+
	Score	Rank
	72.4	11
Strengths:	Low politicization, competitive auto market, competitive homeowners market, small residual markets.	
Weaknesses:	Large runoff obligations, thinly capitalized markets, territorial restrictions.	

New Jersey	2017 Grade	2018 Grade
	B-	C+
	Score	Rank
	63.6	26
Strengths:	No runoff obligations, well-capitalized markets, competitive homeowners market.	
Weaknesses:	Desk drawer rules, territorial restrictions.	

New Mexico	2017 Grade	2018 Grade
	B-	B-
	Score	Rank
	66.2	22
Strengths:	No runoff obligations, broad underwriting freedom.	
Weaknesses:	Large regulatory surplus, large tax and fee burden, thinly capitalized markets, large workers' comp state fund.	

New York	2017 Grade	2018 Grade
	D	D
	Score	Rank
	49.3	49
Strengths:	No special strengths.	
Weaknesses:	Large regulatory surplus, behind on financial exams, concentrated auto market, large workers' comp state fund, desk drawer rules, territorial restrictions.	

North Carolina	2017 Grade	2018 Grade
	F	D
	Score	Rank
	50.0	48
Strengths:	No special strengths.	
Weaknesses:	Politicized market, large auto residual market, large homeowners residual market.	

North Dakota	2017 Grade	2018 Grade
	C-	D
	Score	Rank
	53.5	43
Strengths:	No runoff obligations, well-capitalized markets, competitive auto market.	
Weaknesses:	Politicized market, excess auto insurance profits, monopoly workers' comp market.	

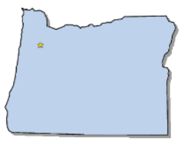
Ohio	2017 Grade	2018 Grade
	B	C
	Score	Rank
	62.2	30
Strengths:	No special strengths.	
Weaknesses:	Behind on financial exams, monopoly workers' comp market.	

Oklahoma

2017 Grade	2018 Grade
C+	C
Score	**Rank**
61.6	31

Strengths:	Broad underwriting freedom.
Weaknesses:	Politicized market, concentrated homeowners market, large workers' comp state fund, territorial restrictions.

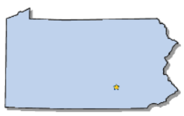
Oregon



2017 Grade	2018 Grade
B+	B
Score	**Rank**
70.1	17

Strengths:	Low tax and fee burden, broad underwriting freedom.
Weaknesses:	Large workers' comp state fund.

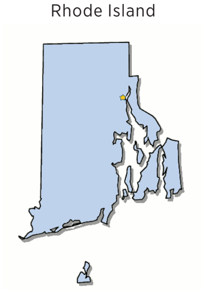
Pennsylvania



2017 Grade	2018 Grade
B+	B
Score	**Rank**
70.5	15

Strengths:	Low politicization.
Weaknesses:	Large runoff obligations.

Rhode Island



2017 Grade	2018 Grade
C+	C
Score	**Rank**
59.2	38

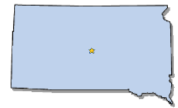
Strengths:	No regulatory surplus.
Weaknesses:	Large auto residual market, large homeowners residual market, large workers' comp state fund.

South Carolina

2017 Grade	2018 Grade
B	C
Score	**Rank**
58.6	40

Strengths:	No special strengths.
Weaknesses:	Very high auto loss ratio.

South Dakota



2017 Grade	2018 Grade
B-	C
Score	**Rank**
62.3	29

Strengths:	No runoff obligations, well-capitalized markets, competitive auto market, small residual markets.
Weaknesses:	Large regulatory surplus, behind on financial exams, very high auto loss ratio, very high homeowners loss ratio, territorial restrictions.

Tennessee

2017 Grade	2018 Grade
B+	B
Score	**Rank**
70.3	16

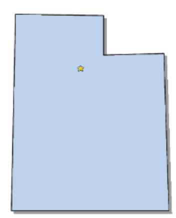
Strengths:	Ahead on financial exams, no runoff obligations, small residual markets.
Weaknesses:	No special weaknesses.

Texas

2017 Grade	2018 Grade
B-	C+
Score	**Rank**
63.3	28

Strengths:	No special strengths.
Weaknesses:	Thinly capitalized markets, large homeowners residual market, large workers' comp state fund.

Utah

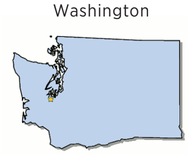


2017 Grade	2018 Grade
A	A-
Score	**Rank**
74.0	9

Strengths:	No regulatory surplus, competitive auto market, broad underwriting freedom.
Weaknesses:	Behind on financial exams, large workers' comp state fund.

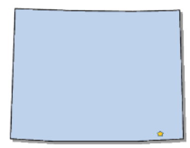
Vermont	2017 Grade	2018 Grade
	A+	A+
	Score	Rank
	84.1	1
Strengths:	Low politicization, ahead on financial exams, competitive auto market, competitive homeowners market, small residual markets, broad underwriting freedom.	
Weaknesses:	Large regulatory surplus, large tax and fee burden, excess auto insurance profits.	

Virginia	2017 Grade	2018 Grade
	B+	A-
	Score	Rank
	74.3	7
Strengths:	No runoff obligations.	
Weaknesses:	No special weaknesses.	

Washington	2017 Grade	2018 Grade
	C	C
	Score	Rank
	61.0	34
Strengths:	Ahead on financial exams, no runoff obligations.	
Weaknesses:	Politicized market, monopoly workers' comp market.	

West Virginia	2017 Grade	2018 Grade
	C-	C
	Score	Rank
	60.6	37
Strengths:	Low politicization, no runoff obligations.	
Weaknesses:	Concentrated auto market, concentrated homeowners market.	

Wisconsin	2017 Grade	2018 Grade
	A-	A-
	Score	Rank
	74.1	8
Strengths:	No runoff obligations, well-capitalized markets, broad underwriting freedom.	
Weaknesses:	Behind on financial exams.	

Wyoming	2017 Grade	2018 Grade
	B	B
	Score	Rank
	69.5	20
Strengths:	Broad underwriting freedom,	
Weaknesses:	Concentrated homeowners market, monopoly workers' comp market.	

In conclusion, we are hopeful that R Street's seventh 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 we look forward to improving the report next year and in the years ahead.

TABLE 9: 50 STATES RANKED BY TOTAL SCORE

STATE	POLITICIZATION	EFFICIENCY	SOLVENCY	AUTO	HOME	RESIDUAL	UNDERWRITING	SCORE	GRADE
VT	10.0	8.9	19.2	7.6	9.4	15.0	14.1	84.1	A+
KY	10.0	11.5	17.0	6.9	4.6	12.0	16.3	78.3	A
AZ	10.0	11.9	10.0	9.2	8.3	13.2	15.6	78.1	A
NV	6.4	14.9	16.9	7.1	7.8	15.0	9.6	77.7	A
IN	5.5	13.1	11.0	8.6	7.4	14.9	14.8	75.3	A-
ID	10.0	11.3	11.9	9.5	7.5	10.5	14.1	74.8	A-
VA	8.2	11.4	12.9	7.7	6.9	14.6	12.6	74.3	A-
WI	5.5	13.0	10.4	8.4	8.1	14.7	14.1	74.1	A-
UT	5.5	13.4	9.8	10.0	8.6	11.2	15.6	74.0	A-
ME	10.0	13.1	10.8	8.6	8.6	9.9	12.6	73.6	A-
NH	10.0	12.4	5.5	8.0	8.9	15.0	12.6	72.4	B+
MO	5.5	13.4	10.6	7.8	6.4	13.0	15.6	72.2	B+
IL	3.6	13.1	11.3	5.5	2.9	14.9	20.0	71.4	B+
IA	10.0	13.4	9.1	6.9	6.7	14.9	9.6	70.7	B
PA	10.0	12.2	10.5	8.0	6.7	14.2	8.9	70.5	B
TN	5.5	11.3	15.0	7.7	6.2	15.0	9.6	70.3	B
FL	8.2	14.7	9.5	5.9	9.7	11.7	10.4	70.1	B
CT	5.5	12.6	10.8	9.8	8.5	14.8	8.1	70.1	B
OR	6.4	13.5	12.4	8.2	6.6	9.7	13.3	70.1	B
WY	5.5	13.6	11.9	6.5	4.5	7.5	20.0	69.5	B
MI	10.0	15.0	13.1	0.0	7.7	12.8	9.6	68.3	B
NM	8.2	7.2	11.9	7.6	5.7	12.2	13.3	66.2	B-
KS	0.9	12.8	11.5	7.8	6.6	14.5	11.9	65.9	B-
AR	5.5	10.5	11.6	7.3	6.3	15.0	9.6	65.8	B-
NE	5.5	13.8	11.9	8.1	0.3	15.0	11.1	65.7	B-
MN	5.5	12.7	9.6	5.4	6.9	14.0	9.6	63.6	C+
NJ	5.5	11.9	11.7	7.7	8.6	14.5	3.7	63.6	C+
TX	9.1	11.4	7.3	7.6	6.8	8.5	12.6	63.3	C+
SD	6.4	10.3	10.8	7.7	4.7	15.0	7.4	62.3	C
OH	5.5	13.5	10.2	7.5	7.3	7.2	11.1	62.2	C
OK	0.9	10.8	11.4	6.4	4.5	12.7	14.8	61.6	C
MD	10.0	12.8	11.1	5.8	7.5	10.6	3.7	61.5	C
GA	0.9	12.1	10.0	6.1	5.1	14.6	12.6	61.3	C
WA	0.9	12.3	17.0	9.4	7.9	7.5	5.9	61.0	C
CO	5.5	13.7	10.8	4.4	4.1	10.7	11.9	60.9	C
DE	0.9	12.6	11.4	5.6	5.8	14.9	9.6	60.8	C
WV	10.0	10.0	11.1	2.2	5.7	15.0	6.7	60.6	C
RI	4.5	12.5	10.2	6.5	9.0	3.9	12.6	59.2	C
AL	5.5	11.8	10.9	6.6	4.5	14.4	5.2	58.9	C
SC	5.5	11.7	10.5	5.2	7.5	13.8	4.4	58.6	C
MT	0.9	11.3	10.9	7.4	2.1	10.5	11.9	55.0	D
HI	6.4	12.8	17.0	2.2	1.2	12.5	2.2	54.3	D
ND	0.9	12.9	11.4	7.4	8.9	7.5	4.4	53.5	D

MS	0.0	11.7	10.6	7.0	5.9	13.8	4.4	53.5	D
MA	5.5	3.5	11.3	7.5	10.0	7.7	7.4	52.9	D
AK	6.4	11.8	12.3	0.2	0.0	15.0	5.9	51.6	D
CA	0.9	13.5	11.6	10.0	4.9	10.6	0.0	51.6	D
NC	0.9	13.2	11.5	9.1	8.6	0.0	6.7	50.0	D
NY	3.6	10.9	9.4	3.7	7.5	11.1	3.0	49.3	D
LA	0.9	7.9	11.5	0.5	4.5	11.7	8.9	45.8	F

ABOUT THE AUTHOR

R.J. Lehmann is a senior fellow and director of finance, insurance and trade policy for the R Street Institute, overseeing the institute's research into effective and efficient regulation of financial services and the benefits of the international rules-based trading system.

R.J. was a co-founder of R Street in June 2012, having previously served as deputy director of the Heartland Institute's Center on Finance, Insurance and Real Estate. Before joining Heartland, he spent nearly a decade covering the insurance and financial services industries, first as manager of A.M. Best Co.'s Washington bureau and later as a senior industry editor with SNL Financial (now S&P Global Market Intelligence).