

How Well Is State-Based Insurance Regulation Performing?

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What Metrics Should Be Used?

- **Financial Strength**—high surplus, few insolvencies and guaranty fund back up
- **Market Competition**—Low HHIs indicating very unconcentrated markets, intensive advertising and many choices of companies and ways to purchase for most insurance lines

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What Metrics Should Be Used?

- **Consumer Protection**—low level of complaints--1 consumer complaint for every 11, 878 consumer interactions (including rating, underwriting and claims settlement) for auto and homeowners insurance
- **Adherence to Time-Tested Standards**—despite pressure to abandon them—especially risk-based pricing and the “not excessive, inadequate or unfairly discriminatory” standard

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What Metrics Should Be Used?

- Comprehensive Regulatory Standards—laws and regulations governing solvency and investing, rating, underwriting, anti-discrimination and claims settlement
- Enforcement Tools—power to grant, suspend and revoke licenses, issue industry-wide standards, require disclosure of data, conduct market conduct exams, issue cease and desist orders and impose monetary penalties

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What Metrics Should Be Used?

- Resources--state insurance departments have nearly 11,000 personnel, have additional ability to retain expertise
- National Coordination—NAIC and NCOIL through model laws and regulations, regulatory forums, sharing data, research and education

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What Are Some Current Matters of Interest?

- New Data, Technology and Innovation—how to assure both regulatory capability and ability of regulated companies to innovate
- Efficiency—needs for improved efficiency vary between personal lines, commercial lines and reinsurance

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What Are Some Current Matters of Interest?

- Political Context--growing political polarization
- Demands to Abandon Risk-Based Pricing--demands to apply disparate impact analysis, although not legislated and fundamentally at odds with legal standards of regulated risk-based pricing

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What Are Some Current Matters of Interest?

- International and Federal Developments--sometimes at odds with time-tested U.S. state-based insurance regulation
- Affordability--cost pressures from underlying causes such as litigation, increased crashes and medical costs
- Larger Societal Issues--terrorism and natural catastrophe risk and financing

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How Best to Address the Current Matters of Interest?

- Protect time-tested standards such as risk-based pricing
- Continue to work on how to regulate effectively and support innovation in the context of the availability of new data and models--including modernizing anti-rebating laws, protecting confidentiality and encouraging full dialogue between regulators and companies

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How Best to Address the Current Matters of Interest?

- Examine how to improve regulatory efficiency considering the differences in the realities and dynamics of personal, commercial and reinsurance lines
- Assist the industry and policymakers to explain underlying costs and work on reducing individual and societal cost drivers, as best way to address affordability
- Protect time-tested state-based regulatory standards in international and federal forums and assist in pushing for open international (re)insurance markets

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Summary and Conclusion

- State-based insurance regulation is functioning well according to relevant metrics
- Insurance regulation does not lack topics of discussion
- Addressing current topics effectively will require work on innovation, efficiency and modernization and withstanding political pressures to abandon time-tested regulatory standards
- Especially important to maintain adherence to risk-based pricing and to reduce underlying costs as best way to address affordability

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