Free markets. Real solutions.

R STREET POLICY STUDY NO. 126
December 2017

2017 INSURANCE REGULATION REPORT CARD

By R.J. Lehmann

CONTENTS

INTRODUCTION

Welcome to the sixth 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 mantra: "Free markets. Real solutions." Toward that end, the approach we apply in this annual survey is to test which state regulatory systems best embody the principles of limited, effective and efficient government. We believe states should regulate only those market activities where government is best-positioned to act; that they should do so competently and with measurable results; and that their activities should lay the minimum possible financial burden on policyholders, companies, 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 in recent decades, 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. As a whole and in most individual states, U.S. personal lines markets are not overly concentrated. Insolvencies are relatively rare and, through the runoff process and guaranty fund protections enacted in nearly every state, generally quite manageable.

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

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.

particular state policies that have the effect of discouraging capital formation, stifling competition and concentrating risk. Central among these are rate controls.

While explicit price-and-wage controls largely have fallen by the wayside in most industries (outside of natural monopolies like utilities),[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 because of concerns of anticompetitive collusion. With the notable exception of North Carolina, rate bureaus no longer play a central role in most personal lines markets, and many larger insurers now establish rates using their own proprietary formulas, rather than relying on rate bureau recommendations.

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 2017, we continue to see progress on one notable measure of competitive insurance markets: that residual property insurance mechanisms continue to shrink. Premiums written by the nation's residual property insurance plans have fallen from $3.39 billion in premium and 3.32 percent of the market in 2011 to $2.06 billion in premium and 1.72 percent of the market in 2016.[3] But the progress has not been evenly distributed. For example, a startling comparison can be found between the states of Florida and North Carolina. In 2011, Florida's state-run Citizens Property Insurance Corp. wrote 14.28 percent of the market, while North Carolina's Beach Plan and FAIR Plan wrote 3.37 percent and 0.62 percent of that state's market, respectively. As of 2016, Citizens was down to just 4.28 percent of the market, which notably allowed it to absorb an estimated 62,000 claims and $1.2 billion in insured losses from the strike of Hurricane Irma this year without any notable impairment.[4] Meanwhile, the North Carolina FAIR Plan was up to 2.42 percent market share and the North Carolina Beach Plan was up to 7.23 percent.

There are even signs of a burgeoning movement to privatize or wind down some residual markets. Following recent successful efforts in West Virginia and Arizona to spin their workers' compensation state funds off into private mutual insurers, a similar proposal was considered this year in Montana, although it was not ultimately adopted.[5] Meanwhile, in New Hampshire, Insurance Commissioner Roger Sevigny has been appointed as receiver of the 40-year-old New Hampshire Medical Malpractice Joint Underwriting Association (JUA), one of a number of residual market entities originally established to provide capacity at the height of the nation's medical liability crisis.[6] Similar JUAs continue to operate in such states as Rhode Island, Florida, Missouri, Minnesota, South Carolina, Pennsylvania and Texas.

As discussed in greater depth in the state-by-state review section, 2017 also saw a significant effort to liberalize rate controls for commercial property and casualty insurance lines in Missouri and a successful effort to do so in Oregon. On the other side of the ledger, Delaware passed legislation that will impose among the most onerous regulatory frameworks in the country, and Illinois—long among the most free-market insurance environments in the nation—was spared from the introduction of stringent controls on its workers' compensation market only by the Legislature's failure to overturn 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

National and federal developments

January – The biggest insurance regulatory news of the year arrived in its first two weeks, when the lame-duck Obama administration's Treasury Department announced it had successfully concluded negotiations with European Union counterparts on a "covered agreement" governing a range of insurance regulatory issues that long had bedeviled cross-Atlantic supervisory authorities.[7] Under the agreement,

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. "2016 FAIR and Beach Plan Underwriting Results and Market Penetration Report," Property Insurance Plans Services Office, Inc. June 2017, p. 5.

4. Jim Turner, "Despite Hurricane Irma, Citizens Property says it's doing fine financially," *Orlando Sentinel*, Dec. 1, 2017. http://www.orlandosentinel.com/news/politics/political-pulse/os-citizens-hurricanes-20171201-story.html.

5. Bobby Caina Calvan, "Lawmakers Table Privatization of $1.6 Billion Insurance Fund," *U.S. News & World Report*, March 24, 2017. https://www.usnews.com/news/best-states/montana/articles/2017-03-24/lawmakers-table-privatization-of-16-billion-insurance-fund.

6. New Hampshire Insurance Department, "N.H. to Begin Winding Down Medical Malpractice Joint Underwriting Association," *Insurance Journal*, July 27, 2015. https://www.insurancejournal.com/news/east/2015/07/27/376357.htm.

7. U.S. Treasury Department, "Joint Statement on the U.S.- EU Negotiations for a Bilateral Agreement on Insurance and Reinsurance Measures," Press Release, Jan. 13, 2017. https://www.treasury.gov/press-center/press-releases/Pages/jl0706.aspx.

which the United States and the EU ultimately signed in September,[8] U.S. states must eliminate statutory collateral and local presence requirements for EU reinsurers doing business in the United States. Meanwhile, U.S. insurers operating in the EU are relieved of having to comply with certain group capital, governance and reporting requirements.

February – The U.S. House Judiciary Committee passed H.R. 906, the Furthering Asbestos Claim Transparency (FACT) Act of 2017.[9] Sponsored by Rep. Blake Farenthold (R-Texas) the measure requires bankruptcy trusts to file quarterly reports on their liability for asbestos exposure, including any payments made or requests for payments to be made. As of publication of this report, the measure has yet to be considered on the House floor.

July – The National Conference of Insurance Legislators, which in recent weeks formally changed its name to the National Council of Insurance Legislators (NCOIL),[10] began in earnest to explore reforms to how state laws incorporate changes to National Association of Insurance Commissioners (NAIC) manuals "by reference," without lawmaker involvement.[11] The issue is expected to be a major focus of the NCOIL-NAIC Dialogue panel in 2018.

September – President Donald Trump signed H.R. 3110, the Financial Stability Oversight Council Insurance Member Continuity Act.[12] Sponsored by Rep. Randy Hultgren (R-Ill.) the measure allows the Financial Stability Oversight Council's "independent member with insurance expertise" to continue to serve for up to 18 months past the expiration of his or her six-year term if there is any delay in naming a successor.

U.S. House Financial Services Committee Housing and Insurance Subcommittee Chairman Sean Duffy (R-Wis.) introduced H.R.3762, the International Insurance Standards Act, which would strip the Federal Insurance Office of much of its international standards-setting power. The law prescribes that no federal official may endorse any international insurance standard that conflicts with existing U.S. state or federal law.[13] As of this report's publication, the measure has not yet advanced to markup.

Shortly thereafter, Duffy introduced H.R. 3861, the Federal Insurance Office (FIO) Reform Act. The bill, which likewise has not yet advanced to markup of as this report's publication, would further constrain the FIO by instituting broad requirements that the U.S. Treasury Department office consult with state insurance commissioners before taking nearly any substantive action.[14]
Also in September, the Financial Stability Oversight Council voted to remove American International Group Inc.'s designation as a "systemically important financial institution," or SIFI.[15] The move leaves Prudential Financial as the only insurer to still hold a SIFI designation.

December – New Jersey Insurance Director Peter Hartt, chair of the National Association of Insurance Commissioners' Financial Stability Task Force, announced plans for his panel to evaluate insurer receivership insolvency processes.[16] The task force is expected to take up the issue in earnest in 2018, with a particular focus on resolution and recovery methods for troubled financial firms.

State-by-state developments

Alaska – In June, Gov. Bill Walker signed H.B. 132, making Alaska the 47th state to adopt rules governing insurance for transportation network companies (TNCs). Oregon and Vermont are now the only states that have not yet adopted a statewide regulatory framework for TNCs.[17]

In March, Walker requested the Legislature consider S.B. 98, an updated version of a bill he vetoed in the 2016 session that would allow an insurer to consider a consumer's credit history when renewing a policy.[18] The measure cleared the Senate Labor and Commerce Committee in early April, but

8. "Statement of the United States on the Covered Agreement with the European Union," U.S. Treasury Department, Sept. 22, 2017. https://www.treasury.gov/initiatives/fio/reports-and-notices/Documents/US_Covered_Agreement_Policy_Statement_Issued_September_2017.pdf.

9. Beth Swantek, "Trump Will Likely Support Asbestos FACT Act," Asbestos.com, March 7, 2017. https://www.asbestos.com/news/2017/03/07/trump-asbestos-fact-act.

10. Allison Bell, "Jason Rapert to Lead Insurance Legislators Group," ThinkAdvisor, Nov. 22, 2017. http://www.thinkadvisor.com/2017/11/22/jason-rapert-to-lead-insurance-legislators-group.

11. Thomas Harman, "NCOIL Meeting to Address Concerns Over How the NAIC Adopts Insurance Regulations," BestWire, July 7, 2017. http://www3.ambest.com/ambv/bestnews/newscontent.aspx?AltSrc=104&RefNum=201129.

12. White House, "President Donald J. Trump Signs H.R. 3110 into Law," Sept. 27, 2017. https://www.einpresswire.com/article/406465862/president-donald-j-trump-signs-h-r-3110-into-law.

13. 115th Congress (2017-2018), "H.R.3762 - International Insurance Standards Act of 2017," Sept. 12, 2017. https://www.congress.gov/bill/115th-congress/house-bill/3762.

14. 115th Congress (2017-2018), "H.R.3861 - Federal Insurance Office Reform Act of 2017," Sept. 28, 2017. https://www.congress.gov/bill/115th-congress/house-bill/3762.

15. Pete Schroeder and Michelle Price, "U.S. regulatory council votes to take AIG off 'systemically risky' list," Reuters, Sept. 29, 2017. https://www.reuters.com/article/us-aig-fsoc/u-s-regulatory-council-votes-to-take-aig-off-systemically-risky-list-idUSKCN1C434B.

16. Elizabeth Festa, "U.S. regulators look to improve insurer insolvency and liquidation process," S&P Global Market Intelligence, Dec. 3, 2017.

17. Property Casualty Insurers Association of America, "PCI Applauds Alaska Gov. Walker for Signing Ridesharing Bill," Press Release, June 16, 2017. http://www.pciaa.net/pciwebsite/Cms/Content/ViewPage?sitepageid=49433.

18. Alaska State Legislature, *Senate Journal*, March 23, 2017, pp. 611-13. http://www.akleg.gov/basis/Journal/Pages/30?Chamber=S&Bill=SB%20%2098&Page=00611.

ultimately died in the Senate Finance Committee without action.[19]

Alabama – On Nov. 1, a law passed in the 2016 legislative session requiring all motorists to carry liability insurance took effect.[20]

Arizona – In January, legislation was introduced in the state Senate that would lift the requirement that auto insurers provide free glass replacement, without a deductible, for cracked or smashed windshields for policyholders who hold comprehensive coverage.[21] It failed to progress through committee.

Legislation raising the minimum coverage limits for auto insurance liability from $15,000 per-person, $30,000 per-accident and $10,000 for physical damage to $25,000 per-person, $50,000 per-accident and $25,000 for physical damage cleared the state Senate in February. The measure, S.B. 1111, failed to advance in the state House.[22]

California – Insurance Commissioner Dave Jones' campaign to require climate disclosures and encourage coal divestment by all major insurers who do business in the state previously the subject of an R Street policy study,[23] ramped up in January when he issued a report disclosing insurers' carbon investments.[24] Pushback came in June in the form of a letter from 13 state attorneys general, led by Oklahoma Attorney General Mike Hunter, threatening to sue Jones over the move.[25]

Jones led several efforts to expand insurance options for the recently legalized recreational marijuana industry. In May, Jones convened stakeholders from the insurance and cannabis industries to take input on how the department could offer insurance-related regulatory guidance and resources.[26] In November, he approved the first admitted market insurer to offer a marijuana-related product.[27]

Connecticut – In May, Gov. Dannel Malloy signed H.B. 7025, a bill allowing domestic insurers to split into two or more entities with the approval of state insurance regulators.[28]

In June, he signed H.B. 7126, legislation setting rules for insurance coverage and other regulatory concerns regarding transportation network companies.[29]

Also in June, Malloy signed H.B. 7013, allowing a domestic insurer to be issued a certificate of authority to write surplus lines insurance nationwide as a "domestic surplus lines insurer."[30] Connecticut thus joins a number of states that have modernized and liberalized their surplus lines laws in the wake of 2010's federal Nonadmitted and Reinsurance Reform Act.

In November, as part of the state budget, Connecticut created a state-run captive insurance company to distribute grants to repair crumbling foundations affected by pyrrhotite.[31] Earlier, in a congressional hearing, U.S. Sen. Richard Blumenthal (D-Conn.) had accused property insurers of inappropriately limiting their liability to foundation claims.[32]

Delaware – On Aug. 1, Gov. John Carney signed H.B. 80. The legislation, which is based on California's Proposition 103 regulatory regime, strictly proscribes what factors a home or auto insurer may use in underwriting and rate-setting, limiting the use of credit information, gender, education,

19. Alaska State Legislature, *Senate Journal*, April 4, 2017, pp. 738-39. http://www.akleg.gov/basis/Journal/Pages/30?Chamber=S&Bill=SB%20%2098&Page=00738#0738.

20. Rashad Snell, "Motorists to Face Civil Penalties for Not Having Insurance," *Alabama News Net*, Oct. 18, 2017. http://www.alabamanews.net/2017/10/18/motorists-face-civil-penalties-not-insurance.

21. Bob Christie, "Bill Cutting Required Auto Glass Coverage Appears Dead," *U.S. News & World Report*, Feb. 20, 2017. https://www.usnews.com/news/arizona/articles/2017-02-20/bill-cutting-required-auto-glass-coverage-appears-dead.

22. "Arizona Senate Bill 1111 (Prior Session Legislation)," *Legiscan*, 2017. https://legiscan.com/AZ/bill/SB1111/2017.

23. Steven Greenhut, "Coal divestment and the California insurance industry," R Street Institute, July 26, 2017. http://www.rstreet.org/policy-study/coal-divestment-and-the-california-insurance-industry.

24. "Commissioner discloses insurers' carbon investments facing climate risk," California Department of Insurance, Jan. 18, 2017. https://www.insurance.ca.gov/0400-news/0100-press-releases/2017/release004-17.cfm.

25. Michael Hiltzik, "13 red states threaten to sue over a California initiative to fight climate change," The Los Angeles Times, June 21, 2017. http://www.latimes.com/business/hiltzik/la-fi-hiltzik-insurance-oil-20170620-story.html.

26. "Insurance Department connects stakeholders to discuss cannabis regulations and insurance issues," California Department of Insurance, May 22, 2017. https://www.insurance.ca.gov/0400-news/0100-press-releases/2017/release051-17.cfm.

27. Sonam Rai, "California's marijuana industry gets its first insurer," *Reuters*, Nov. 2, 2017. https://www.reuters.com/article/us-california-cannabis-insurance/californias-marijuana-industry-gets-its-first-insurer-idUSKBN1D22YH.

28. "Substitute for Raised H.B. No. 7025," Connecticut General Assembly, 2017. https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill_num=HB07025&which_year=2017.

29. "Substitute for Raised H.B. No. 7126," Connecticut General Assembly, 2017. https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill_num=7126&which_year=2017.

30. "Substitute for Raised H.B. No. 7013," Connecticut General Assembly, 2017. https://www.cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill_num=HB07013&which_year=2017.

31. Susan Haigh, "Lawmakers Create 'Insurance Company' to Help Homeowners," *U.S. News & World Report*, Nov. 5, 2017. https://www.usnews.com/news/best-states/connecticut/articles/2017-11-05/lawmakers-create-insurance-company-to-help-homeowners.

32. Sen. Richard Blumenthal, "Blumenthal to Insurance Industry: Crumbling Foundation Insurance Policies May Violate Law," Aug. 4, 2017. https://www.blumenthal.senate.gov/newsroom/press/release/blumenthal-to-insurance-industry-crumbling-foundation-insurance-policies-may-violate-law.

occupation, ZIP code and marital status, among other things.[33]

Florida – By an 89-29 margin, the House voted in April to approve legislation that would abolish Florida's no-fault auto insurance system and move instead to an at-fault model, in which drivers would be required to purchase bodily injury and physical damage coverage. The measure, H.B. 1063, died in May in the Senate Appropriations Subcommittee on Health and Human Services.[34] A similar measure has been introduced for the 2018 legislative session as S.B. 150.[35]

By a 91-26 margin, the state House also voted in April to approve legislation intended to address abusive assignment of benefits (AOB) litigation. The measure, H.B. 1421, died in the Senate Banking and Insurance Committee when the Legislature adjourned in May.[36] But the subject is already progressing in advance of the 2018 legislative session, as the House Judiciary Committee already approved one proposal in mid-November,[37] and the Senate will consider similar legislation introduced as S.B. 62.[38] Insurance Commissioner David Altmaier has predicted that legislation dealing with AOB abuse in home repairs could ultimately be combined with similar efforts to address AOB abuse in windshield claims.[39]

In May, Gov. Rick Scott signed legislation governing insurance and other rules for transportation network companies. Florida was among the final large states to approve TNC rules statewide.[40]

In advance of the 2018 legislative session, state Sen. Gary Farmer Jr. (D-Lighthouse Point) in October filed S.B. 414, which would ban the use of credit history in auto insurance underwriting, and S.B. 410, which would do the same for the use of ZIP codes.[41]

Georgia – Insurance Commissioner Ralph Hudgens announced in April that his department had to make staff layoffs and furloughs because it had overspent its $21 million budget.[42] Notably, Georgia actually collected more than $45 million in regulatory fees and assessments last year—more than enough to enjoy a massive surplus. However, state rules only allow the department to keep about $5 million of that total for its own budget, with most of the rest coming from the state's general fund.[43]

Illinois – In August, Gov. Bruce Rauner vetoed a pair of bills that would have moved the state—long among the most free-market with respect to insurance regulation—into a far more interventionist posture, specifically in the market for workers' compensation insurance. H.B. 2525 would have required insurers to wait up to 30 days for approval after filing workers' comp rates before they would be permitted to use them in the market.[44] H.B. 2622 would have created a "competitive" state-sponsored workers' comp fund.[45] In October, the Legislature attempted to mount veto overrides on both bills, but failed to achieve the necessary three-fifths majority on either measure.

Iowa – In January, Gov. Terry Branstad appointed former Missouri Insurance Commissioner Doug Ommen to serve as Iowa's insurance commissioner.[46]

Maryland – In February, state Sen. Joanne C. Benson (D-Hyattsville) introduced legislation that would have expanded the residual market Maryland Automobile Insurance Fund by creating a new Low-Cost Automobile Insurance Program to cover low-income drivers with good driving records

33. "Governor Carney Signs Insurance Consumer Fairness Bill into Law," State of Delaware, Aug. 1, 2017. https://news.delaware.gov/2017/08/01/governor-carney-signs-insurance-consumer-fairness-bill-law.

34. "CS/CS/HB 1063 - Motor Vehicle Insurance," Florida House of Representatives, 2017. http://www.myfloridahouse.gov/Sections/Bills/billsdetail.aspx?BillId=58870.

35. Thomas Harman, "Florida State Senator Files New No-Fault Repeal Legislation," *BestWire*, Aug. 18, 2017. http://www3.ambest.com/ambv/bestnews/newscontent.aspx?AltSrc=108&refnum=202180.

36. Florida House of Representatives, "CS/HB 1421 - Property Insurance Assignment Agreements," accessed Dec. 5, 2017. http://www.myfloridahouse.gov/Sections/Bills/billsdetail.aspx?BillId=59507&SessionId=83.

37. Jim Turner, "Florida House wades into property insurance controversy," *Jacksonville Business Journal*, Nov. 14, 2017. https://www.bizjournals.com/jacksonville/news/2017/11/14/florida-house-wades-into-property-insurance.html.

38. Thomas Harman, "Florida Senator Renews Effort to Combat One-Way Attorney's Fees in Assignment of Benefits Cases," *BestWire*, Aug. 10, 2017. http://www3.ambest.com/ambv/bestnews/newscontent.aspx?AltSrc=108&refnum=201967.

39. Thomas Harman, "Fla. Insurance Commissioner: Windshield Assignment of Benefits Suits Could Be Part of Future Legislation," *BestWire*, Aug. 23, 2017. http://www3.ambest.com/ambv/bestnews/newscontent.aspx?AltSrc=108&refnum=202305.

40. Sherri Lonon, "Uber, Lyft Bill Inked By Gov. Rick Scott," Patch.com, May 10, 2017. https://patch.com/florida/clearwater/uber-lyft-bill-inked-gov-rick-scott.

41. Thomas Harman, "Florida Bills Would Ban Credit Scores, ZIP Codes in Calculating Auto Rates," BestWire, Oct. 5, 2017. http://www3.ambest.com/ambv/bestnews/news-content.aspx?altsrc=23&refnum=203507.

42. James Salzer, "Overspending in Georgia Insurance Department forces layoffs, furloughs," *The Atlanta Journal-Constitution*, April 27, 2017. http://www.myajc.com/news/state--regional-govt--politics/overspending-georgia-insurance-department-forces-layoffs-furloughs/Invrw7pa9eqX5vBRc1NtXJ.

43. "2016 Insurance Department Resources Report: Volume One," National Association of Insurance Commissioners, June 2017, p. 32. http://www.naic.org/prod_serv/STA-BB-16-01.pdf.

44. "Bill Status of HB2525 - 100th General Assembly," Illinois General Assembly, 2017. http://www.ilga.gov/legislation/BillStatus.asp?DocNum=2525&GAID=14&DocTypeID=HB&LegID=103675&SessionID=91.

45. "Bill Status of HB2525 - 100th General Assembly," Illinois General Assembly, 2017. http://www.ilga.gov/legislation/billstatus.asp?DocNum=2622&GAID=14&GA=100&DocTypeID=HB&LegID=103892&SessionID=91.

46. Gloria Gonzalez, "Ommen tapped as Iowa insurance commissioner," *Business Insurance*, Feb. 1, 2017. http://www.businessinsurance.com/article/00010101/NEWS06/912311687/Ommen-tapped-as-Iowa-insurance-commissioner.

who cannot afford private market insurance. The measure failed to move out of the state Senate Finance Committee.[47]

In May, Gov. Larry Hogan signed S.B. 534, also sponsored by Benson, which prohibits auto insurers from increasing the premiums of an insured who becomes a surviving spouse.[48] As originally written, the bill would have created a blanket prohibition on the use of credit, marital status, occupation or education in auto insurance rate-setting or underwriting.

Massachusetts – Bills introduced in January, H. 554 and S. 533, would prohibit homeowners insurers from considering a dog's breed as part of the underwriting and rate-setting processes. The measures were subject to hearings in October,[49] but have yet to move through committee in either chamber.

In November, Gov. Charlie Baker appointed Gary Anderson to become commissioner of the commonwealth's Division of Insurance.[50] Anderson had been serving as interim commissioner since February, when former Insurance Commissioner Daniel Judson stepped down to become president of the Workers' Compensation Rating and Inspection Bureau of Massachusetts.

Michigan – The yearslong debate about how to fix the dysfunctional auto insurance system in Michigan—the only state in the country to require insurers to provide unlimited lifetime personal injury protection benefits—dead-ended once again. By a 45-63 margin, the House in November voted down a proposal that would have allowed consumers to choose among the existing unlimited coverage, with a guaranteed 10 percent savings; $500,000 of coverage, with guaranteed 20 percent savings; or $250,000 of coverage, with guaranteed 40 percent savings.[51]

In December, the state Senate passed legislation by a 36-0 margin that liberalized the rules for credit for reinsurance, including loosening the rules governing collateral posting. The measure, S.B. 638, has yet to move in the state House.[52]

Minnesota – In November, Gov. Mark Dayton appointed Jessica Looman, the state's deputy labor commissioner, to serve as commissioner of the Department of Commerce, which regulates insurance. Looman replaces Mike Rothman, who stepped down to run for state attorney general.[53]

Mississippi – In January, the state House passed legislation that requires county tax collectors to check whether an applicant has auto insurance before renewing their license tags. The measure subsequently moved to the Senate, where it died in committee.[54]

Missouri – In February, Gov. Eric Greitens appointed Tennessee Deputy Commerce and Insurance Commissioner Chlora Lindley-Myers to run the Missouri Department of Insurance, Financial Institutions and Professional Registration.[55]

By a 144-4 margin, the Missouri House approved H.B. 741, legislation that would exempt 16 specialty commercial lines of business from having to file rates and policy forms with state insurance regulators.[56] The measure died in the state Senate.

In July, Greitens signed the combined H.B. 339 and 714, a tort reform package that addresses the settlement agreement process. The measures allow insurers to intervene in the claims settlement process, limits agreements with insureds whose insurers have declined coverage and sets standards for the issuance of time-limited demand letters.[57]

Montana – In March, Montana lawmakers opted to table legislation that would dismantle and privatize the $1.6 billion workers' compensation state fund.[58] The issue returned later in the year when a proposal to divert $30 million of the fund's surplus to the state's general fund prompted a lawsuit by the fund that was resolved only when Gov. Steve Bullock

47. "SB0533: Low-Cost Automobile Insurance Program," General Assembly of Maryland, 2017. http://mgaleg.maryland.gov/webmga/frmMain.aspx?pid=billpage&stab=03&id=SB0533&tab=subject3&ys=2017rs.

48. "SB0534: Motor Vehicle Insurance - Discrimination in Underwriting and Rating – Prohibitions," General Assembly of Maryland, 2017. http://mgaleg.maryland.gov/webmga/frmMain.aspx?pid=billpage&stab=03&id=sb0534&tab=subject3&ys=2017rs.

49. Michael P. Norton, "Breed discrimination unfairly driving up homeowner's rates, lawmakers told," State House News Service, Oct. 17, 2017. http://www.statehouse-news.com/email/a/20172123?key=b1549c.

50. Jayleen R. Heft, "Gary Anderson named Massachusetts insurance commissioner," PropertyCasualty360.com, Nov. 16, 2017. http://www.propertycasualty360.com/2017/11/16/gary-anderson-named-massachusetts-insurance-commis.

51. Emily Lawler, "Bill to lower Michigan auto insurance rates fails in late-night vote," MLive.com, Nov. 3, 2017. http://www.mlive.com/news/index.ssf/2017/11/bill_to_lower_michigan_auto_in.html.

52. "Senate Bill 0638 (2017)," Michigan Legislature, 2017. https://www.legislature.mi.gov/(S(n4c333iax5qv1b3opr20h1qb))/mileg.aspx?page=getObject&objectName=2017-SB-0638.

53. J. Patrick Coolican, "Mike Rothman resigns as commerce commissioner to run for attorney general," *Star Tribune*, Nov. 17, 2017. http://www.startribune.com/mike-rothman-resigns-as-commerce-commissioner-to-run-for-attorney-general/458270763.

54. "House Bill 319," Mississippi Legislature, 2017. http://billstatus.ls.state.ms.us/2017/pdf/history/HB/HB0319.xml.

55. Associated Press, "Greitens Appoints Head of Missouri Insurance Department," *U.S. News & World Report*, Feb. 14, 2017. https://www.usnews.com/news/missouri/articles/2017-02-14/greitens-appoints-head-of-missouri-insurance-department.

56. "HB 741," Missouri House of Representatives, 2017. http://www.house.mo.gov/bill.aspx?bill=HB741&year=2017&code=R.

57. "Missouri Governor Signs Tort Reform Legislation," *Insurance Journal*, July 13, 2017. https://www.insurancejournal.com/news/midwest/2017/07/13/457609.htm.

58. See, e.g., Calvan. https://www.usnews.com/news/best-states/montana/articles/2017-03-24/lawmakers-table-privatization-of-16-billion-insurance-fund.

appointed two new members to the fund's board, who voted to drop the suit.[59]

Nevada – In January, the Division of Insurance issued a bulletin seeking data on insurers' data models,[60] with a particular focus on practices that might fall under the header of "price optimization," a major subject of controversy in 2016.

New York – In January, Gov. Andrew Cuomo unveiled a state budget that expanded the Department of Financial Services' anticipated fines for misconduct in the financial services industry by 1,000 percent, from $1,000 per violation to $10,000 per violation.[61]

In February, Cuomo and the DFS proposed new rules that would require banks and insurers to maintain cybersecurity programs to protect customers' sensitive personal information.[62]
In May, Cuomo and the state's Department of Financial Services handed down a regulation prohibiting insurers from using an individual's occupational status or education level in auto insurance rate-setting unless the insurer can demonstrate that such use does not result in rates that are unfairly discriminatory.[63]

North Carolina – Insurance Commissioner Mike Causey granted the North Carolina Rate Bureau, which sets rates collectively for all insurers in the state, a 2.2 percent auto insurance rate increase in June, less than the 13.8 percent increase the bureau had requested earlier in the year. The rates took effect Oct. 1 and will remain in effect until Oct. 1, 2019.[64]

Ohio – In March, Gov. John Kasich named Jillian E. Froment, previously deputy director of the Ohio Department of Insurance, to serve as the department's director. She replaced Lt. Gov. Mary Taylor, who had served simultaneously in both roles since taking office in 2011.[65]

Oklahoma – In May, Gov. Mary Fallin signed legislation requiring homeowners insurers to provide discounts to policyholders who undertake retrofitting and other mitigation to fortify their homes against tornadoes and other storms.[66]

Oregon – In June, Gov. Kate Brown signed legislation removing requirements to file rates and policy forms for most commercial property and casualty lines of business.[67]

Texas – Moving to address the state's hail litigation crisis,[68] in May, the Legislature passed and Gov. Greg Abbott signed H.B. 1774, which makes it more difficult to assert a bad faith lawsuit while claims negotiation is ongoing.[69]

In June, Abbott also signed H.B. 2492, which allows a domestic insurer to be issued a certificate of authority to write surplus lines insurance nationwide as a "domestic surplus lines insurer."[70] Thus, Texas joins a number of states that have modernized and liberalized their surplus lines laws in the wake of 2010's federal Nonadmitted and Reinsurance Reform Act.

Vermont – In May, Gov. Phil Scott signed H. 85, which expands Vermont's captive insurance regulatory regime to cover agency captives.[71]

Wisconsin – In June, Gov. Scott Walker signed S.B. 77, which allows a domestic insurer to be issued a certificate of authority to write surplus lines insurance nationwide as a "domestic surplus lines insurer."[72] Wisconsin thus joins a number of states that have modernized and liberalized their surplus lines laws in the wake of 2010's federal Nonadmitted and Reinsurance Reform Act.

---

59. Holly K. Michaels, "Montana State Fund board votes to drop lawsuit against state," *Helena Independent Record,* Dec. 1, 2017. http://helenair.com/news/politics/montana-state-fund-board-votes-to-drop-lawsuit-against-state/article_852b3bae-b63e-5051-94e3-874e25492b43.html.

60. "Bulletin 17-001," Nevada Division of Insurance, Jan. 26, 2017. http://doi.nv.gov/uploadedFiles/doinvgov/_public-documents/News-Notices/Bulletins/17-001.pdf.

61. Thomas Harman, "Insurance Groups Concerned About Large Increase in Fines in New York Budget," BestWire, Jan. 20, 2017. http://www3.ambest.com/ambv/bestnews/newscontent.aspx?AltSrc=108&refnum=197308.

62. Associated Press, "New York to require banks and insurers to step up cybersecurity," *Crain's New York Business*, Feb. 17, 2017. http://www.crainsnewyork.com/article/20170217/TECHNOLOGY/170219884/new-york-to-require-banks-and-insurers-to-step-up-cybersecurity-and-improve-digital-security-for-customers-at-financial-institutions.

63. Office of the Governor of New York, "Governor Cuomo Announces Action to Protect New Yorkers from Unfairly Discriminatory Auto Insurance Rates," Press Release, May 16, 2017. https://www.governor.ny.gov/news/governor-cuomo-announces-action-protect-new-yorkers-unfairly-discriminatory-auto-insurance.

64. "Agreement Reached on NC Auto Insurance Rates," North Carolina Department of Insurance, June 15, 2017. http://www.ncdoi.com/media/news2/year/2017/061517b.asp.

65. Jeremy Pelzer, "Lt. Gov. Mary Taylor resigns as Ohio Department of Insurance director," *Cleveland Plain-Dealer*, March 31, 2017. http://www.cleveland.com/politics/index.ssf/2017/03/lt_gov_mary_taylor_resigns_as.html.

66. "Bill Information for HB 1720," Oklahoma State Legislature, 2017. http://www.oklegislature.gov/BillInfo.aspx?Bill=HB1720&Session=1700.

67. "SB 985 Enrolled," Oregon State Legislature, 2017. https://olis.leg.state.or.us/liz/2017R1/Measures/Overview/SB985.

68. Josiah Neeley, "Come Hail or High Water: Texas' litigation explosion," *R Street Policy Study* No. 31, January 2015. https://www.rstreet.org/wp-content/uploads/2015/01/RSTREET31.pdf.

69. Sanya Mansoor, "Texas Senate sends bill to governor discouraging weather-related lawsuits," *Texas Tribune*, May 16, 2017. https://www.texastribune.org/2017/05/16/bill-targets-weather-related-lawsuit-abuse-passes-senate.

70. "Bill: HB 2492," Texas Legislature Online, 2017. http://www.capitol.state.tx.us/BillLookup/History.aspx?LegSess=85R&Bill=HB2492.

71. "H.85 (Act 12)," Vermont General Assembly, 2017. http://legislature.vermont.gov/bill/status/2018/H.85.

72. "Senate Bill 77," Wisconsin State Legislature, 2017. http://docs.legis.wisconsin.gov/2017/proposals/reg/sen/bill/sb77.

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 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 of regulators in performing their core duties and the efficiency of a state in making use of its resources.

Because we are necessarily limited to those factors we can quantify for all 50 states, there are many important considerations that our report card will not reflect. Among other variables, we lack good measures of how well states regulate insurance policy forms and the level of competition in local markets for insurance agents and brokers. And while the NAIC does offer some data that could illuminate how quickly states act on rate-and-product filings,[73] the sheer volume of filings and associated difficulties in making apples-to-apples comparisons of states' speed-to-market environments both 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	6.7
AL	0	0	0	5.8
AR	0	0	0	5.8
AZ	+5	0	+5	10.0
CA	-5	-2	-7	0.0
CO	0	0	0	5.8
CT	0	0	0	5.8
DE	-5	-2	-7	0.0
FL	+3	0	+3	8.3
GA	-5	0	-5	1.7
HI	+1	0	+1	6.7
IA	+5	0	+5	10.0
ID	+5	0	+5	10.0
IL	0	-1	-1	5.0
IN	0	0	0	5.8
KS	-5	0	-5	1.7
KY	+5	0	+5	10.0
LA	-5	0	-5	1.7
MA	0	0	0	5.8
MD	+5	0	+5	10.0
ME	+5	0	+5	10.0
MI	+5	0	+5	10.0
MN	0	0	0	5.8
MO	0	0	0	5.8
MS	-5	0	-5	1.7
MT	-5	0	-5	1.7
NC	-5	0	-5	1.7
ND	-5	0	-5	1.7
NE	0	0	0	5.8
NH	+5	0	+5	10.0
NJ	0	0	0	5.8
NM	+3	0	+3	8.3
NV	+1	-1	0	5.8
NY	0	-2	-2	4.2

73. 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.

OH	0	0	0	5.8
OK	-5	0	-5	1.7
OR	+1	0	+1	6.7
PA	+5	0	+5	10.0
RI	0	0	0	5.8
SC	0	0	0	5.8
SD	+1	0	+1	6.7
TN	0	0	0	5.8
TX	+5	0	+5	10.0
UT	0	0	0	5.8
VA	+3	0	+3	8.3
VT	+5	0	+5	10.0
WA	-5	0	-5	1.7
WI	0	0	0	5.8
WV	+5	0	+5	10.0
WY	0	0	0	5.8

SOURCES: NCSL, R Street analysis

POLITICIZATION (10 PERCENT OF TOTAL SCORE)

Insurance regulation is a technical matter and, by and large, should be insulated from the political process and prevailing political concerns. It is necessary for insurance regulators to monitor that insurers and insurance producers deal with the public fairly and in good faith. It is necessary to apply risk-based capital rules to ensure insurance companies are responsibly and competently managing both their underwriting and their investment risks. Regulators also must be vigilant to stamp out fraud—whether by carriers, by agents and brokers or by insureds—wherever it 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 such oversight is properly exercised through the executive, legislative and judicial branches. 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, we identify five different systems for insurance commissioner authority and rate them accordingly.[74]

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 baseline structure 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, but rather to a public board. These structures provide significant independence for the regulator. In New Mexico, insurance commissioners are appointed for four-year terms by the elected Public Regulation Commission, but ultimately serve at their pleasure. 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 elected governor, chief financial officer, attorney general and agriculture commissioner. Both the governor and chief financial officer must vote with the majority in order 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 addition, we make a handful of adjustments to acknowledge notable regulatory or legislative actions taken in calendar year 2016 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 with more modest impact. The three instances where we deducted -2 points this year were:

74. "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.

- Delaware's H.B. 80, which imposed an onerous regulatory regime similar to California's Prop 103 for home and auto insurance.
- New York's regulatory ban on the use of education and occupation in auto insurance underwriting.
- California Insurance Commissioner Dave Jones' report seeking to shame insurers with carbon investments.

We deducted -1 point in recognition of:

- The Illinois Legislature's passage (later vetoed) of a de facto prior approval regulatory system for workers' compensation.
- Nevada's price optimization bulletin.

The results were then summed and weighted to grant states between 0.0 and 10.0 points for the category. A dozen states tied with 10.0 points, while California and Delaware faired worst, tied for the most politicized markets in the country.

TABLE 2: FISCAL EFFICIENCY

STATE	REGULATORY SURPLUS			TAX AND FEE BURDEN			TOTAL
	Raw (%)	Weighted	Points	Raw (%)	Weighted	Points	
AK	0.0	0.0	10.0	2.0	-1.3	1.3	11.3
AL	47.0	-47.0	9.4	1.5	-0.5	2.2	11.6
AR	194.5	-194.5	7.5	1.6	-0.6	2.0	9.5
AZ	0.0	0.0	10.0	2.0	-1.2	1.4	11.4
CA	29.3	-29.3	9.6	0.9	0.5	3.4	13.0
CO	0.0	0.0	10.0	0.9	0.5	3.3	13.3
CT	297.9	-297.9	6.1	0.8	0.7	3.6	9.7
DE	199.3	-199.3	7.4	0.2	1.7	4.7	12.1
FL	0.0	0.0	10.0	0.3	1.7	4.6	14.6
GA	117.1	-117.1	8.5	1.0	0.4	3.3	11.7
HI	0.0	0.0	10.0	1.4	-0.3	2.4	12.4
IA	142.6	-142.6	8.1	0.5	1.3	4.2	12.3
ID	194.8	-194.8	7.5	1.7	-0.7	1.9	9.4
IL	67.8	-67.8	9.1	0.6	1.0	3.9	13.0
IN	87.6	-87.6	8.9	0.7	0.9	3.8	12.7
KS	64.4	-64.4	9.2	1.1	0.3	3.1	12.3
KY	101.2	-101.2	8.7	1.2	0.0	2.8	11.5
LA	276.9	-276.9	6.4	2.0	-1.3	1.3	7.7
MA	766.9	-766.9	0.0	0.9	0.6	3.4	3.4
MD	12.1	-12.1	9.8	1.4	-0.3	2.4	12.2
ME	64.2	-64.2	9.2	1.4	-0.4	2.4	11.5
MI	0.0	0.0	10.0	0.1	2.0	5.0	15.0
MN	37.3	-37.3	9.5	1.2	0.1	2.8	12.4
MO	13.5	-13.5	9.8	1.0	0.4	3.2	13.1
MS	0.1	-0.1	10.0	2.2	-1.7	0.9	10.9
MT	29.0	-29.0	9.6	2.0	-1.3	1.3	10.9
NC	27.2	-27.2	9.6	1.2	0.1	2.9	12.6
ND	28.6	-28.6	9.6	1.1	0.2	2.9	12.6
NE	11.3	-11.3	9.9	0.9	0.6	3.5	13.3
NH	36.0	-36.0	9.5	1.3	-0.1	2.7	12.2
NJ	177.9	-177.9	7.7	0.9	0.5	3.3	11.0
NM	235.7	-235.7	6.9	2.7	-2.5	0.0	6.9
NV	0.0	0.0	10.0	0.1	1.8	4.8	14.8
NY	389.4	-389.4	4.9	1.4	-0.3	2.5	7.4
OH	37.8	-37.8	9.5	0.8	0.7	3.5	13.0
OK	99.6	-99.6	8.7	1.7	-0.8	1.8	10.5
OR	0.0	0.0	10.0	0.4	1.4	4.4	14.4
PA	66.1	-66.1	9.1	0.8	0.7	3.6	12.7
RI	0.0	0.0	10.0	1.4	-0.3	2.4	12.4
SC	46.0	-46.0	9.4	1.1	0.2	3.1	12.5
SD	220.7	-220.7	7.1	1.6	-0.6	2.1	9.2
TN	11.3	-11.3	9.9	2.2	-1.7	0.8	10.7
TX	90.8	-90.8	8.8	1.6	-0.6	2.1	10.9
UT	0.0	0.0	10.0	1.1	0.3	3.1	13.1
VA	183.1	-183.1	7.6	1.2	0.0	2.7	10.4
VT	75.9	-75.9	9.0	2.2	-1.6	1.0	10.0
WA	43.3	-43.3	9.4	1.4	-0.3	2.4	11.8
WI	132.4	-132.4	8.3	0.6	1.0	3.9	12.2
WV	223.7	-223.7	7.1	1.9	-1.2	1.4	8.5
WY	10.9	-10.9	9.9	0.9	0.6	3.4	13.3

SOURCE: R Street analysis of NAIC data

FISCAL EFFICIENCY (15 PERCENT OF TOTAL SCORE)

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

States vary as to how they allocate funding to their insurance departments. Based on the NAIC's Insurance Department Resources Report (IDRR), in 19 states and the District of Columbia, 100 percent of the department's revenues come from regulatory fees and assessments.[75] Fees and assessments account for more than 90 percent of the budget in 16 other states and for more than 70 percent of the budget in

75. "2016 Insurance Department Resources Report," p. 31. http://www.naic.org/prod_serv/STA-BB-16-01.pdf.

an additional seven states.[76] Others draw on a combination of fees and assessments, fines and penalties, general funds and other sources. South Dakota is the only state whose insurance department currently does not directly draw any revenues from the fees and assessments it levies, although fees and assessments also account for less than 5 percent of budget in North Carolina and Pennsylvania.[77] In all three states, the bulk of the insurance department's operating funds come from the state's general fund.

The NAIC's IDRR also shows the 50 states, Puerto Rico and the District of Columbia spent $1.43 billion on insurance regulation in 2016, up from $1.36 billion a year earlier.[78] But it is important to note that state insurance departments collected more than double that amount, roughly $2.91 billion, in regulatory fees and assessments from the insurance industry.[79] State insurance departments also collected $125.3 million in fines and penalties and another $1.12 billion in miscellaneous revenues.[80] States separately collected $19.24 billion in insurance premium taxes.[81] Thus, of the total $23.39 billion in revenues that states collected from the insurance industry last year, only 6.1 percent was spent on insurance regulation. Using this 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 just to those regulatory fees and assessments that are paid by insurers and insurance producers, states collected about $1.47 billion more in regulatory fees than they spend on regulation, down from $1.87 billion last year.[82]

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. In essence, by collecting this regulatory surplus through insurance fees, states are laying a stealth tax on insurance consumers to fund what should be general obligations.

In 2016, our calculations show that 10 states collected less in fees and assessments than they spent on insurance regulation, giving them a regulatory surplus of 0 percent. Expressed as a percentage of department budgets, the mean among the 50 states was a regulatory surplus equal to 97.8 percent of the budget, albeit with a large standard deviation of 134.5 percentage points. The states ranged from those 10 with no regulatory surplus all the way up to Massachusetts, the surplus of which was more than eight times the size of the insurance department budget.

For our initial raw score, we subtracted points based on how large each state's regulatory surplus was as a percentage of the department budget. We then converted those weighted scores into a scale from 0.0 points for Massachusetts to 10.0 points for the states with no regulatory surplus.

Tax and Fee Burden: We also looked at the total of premium taxes, fees and assessments, and fines and penalties collected in each state, expressed as a percentage of the premiums written in that state.[83] We call this measure the "tax and fee burden," and it represents the overall government fiscal burden states place on insurance products.

The mean of the 50 states was a tax and fee burden of 1.23 percent, with a standard deviation of 0.59 percentage points. The results ranged from a low of 0.06 percent for Michigan, which was roughly two standard deviations below the mean, to a high of 2.68 percent for New Mexico, which was more than two standard deviations above the mean.

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. 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 15.0 points, scored by Michigan, to a low of 3.4 points, scored by Massachusetts.

76. Ibid.

77. Ibid.

78. Ibid., p. 29.

79. Ibid., p. 32.

80. Ibid.

81. Ibid.

82. R.J. Lehmann, "2016 Insurance Regulation Report Card," *R Street Policy Study* No. 77, December 2016, p. 9. http://2o9ub0417chl2lg6m43em6psi2i.wpengine.netdna-cdn.com/wp-content/uploads/2017/11/77.pdf.

83. Premium data by state was drawn from the "2016 Insurance Department Resources Report: Volume Two," National Association of Insurance Commissioners, August 2017, p. 7.

TABLE 3: SOLVENCY REGULATION

STATE	FINANCIAL EXAMS			RUNOFFS			CAPITALIZATION			TOTAL
	Raw (%)	Weighted	Points	Raw (%)	Weighted	Points	Raw (%)	Weighted	Points	
AK	143.3	0.1	2.4	0.0	0.4	5.0	504.5	0.5	4.6	11.9
AL	105.0	-0.4	1.5	0.1	0.4	5.0	574.1	0.4	4.4	10.9
AR	106.9	-0.3	1.5	0.2	0.3	5.0	480.6	0.6	4.6	11.1
AZ	131.5	0.0	2.1	8.0	-0.8	4.0	1356.2	-1.4	3.2	9.4
CA	119.5	-0.2	1.8	3.6	-0.2	4.6	465.9	0.6	4.6	11.0
CO	95.2	-0.5	1.3	0.4	0.3	4.9	681.1	0.2	4.3	10.5
CT	108.9	-0.3	1.6	0.1	0.4	5.0	1030.8	-0.6	3.7	10.3
DE	136.2	0.0	2.2	5.1	-0.4	4.4	942.5	-0.4	3.9	10.5
FL	53.5	-1.0	0.3	2.1	0.1	4.8	827.0	-0.2	4.0	9.1
GA	83.8	-0.6	1.0	0.0	0.4	5.0	1031.6	-0.6	3.7	9.7
HI	306.8	2.1	6.2	0.1	0.3	5.0	220.2	1.2	5.0	16.2
IA	66.6	-0.8	0.6	0.0	0.4	5.0	479.6	0.6	4.6	10.2
ID	145.7	0.1	2.4	0.0	0.4	5.0	646.4	0.2	4.3	11.8
IL	109.8	-0.3	1.6	4.9	-0.4	4.4	546.2	0.5	4.5	10.5
IN	96.6	-0.5	1.3	12.0	-1.4	3.6	505.8	0.5	4.5	9.4
KS	104.7	-0.4	1.5	0.0	0.4	5.0	557.6	0.4	4.5	10.9
KY	299.6	2.0	6.1	1.0	0.2	4.9	735.2	0.0	4.2	15.1
LA	105.4	-0.4	1.5	0.5	0.3	4.9	516.3	0.5	4.5	11.0
MA	116.7	-0.2	1.8	0.7	0.3	4.9	803.2	-0.1	4.1	10.8
MD	124.2	-0.1	1.9	0.8	0.3	4.9	933.6	-0.4	3.9	10.7
ME	104.6	-0.4	1.5	0.0	0.4	5.0	799.8	-0.1	4.1	10.6
MI	180.0	0.5	3.3	0.2	0.3	5.0	723.7	0.1	4.2	12.4
MN	41.9	-1.1	0.0	0.0	0.4	5.0	521.2	0.5	4.5	9.5
MO	93.0	-0.5	1.2	2.1	0.1	4.7	545.8	0.5	4.5	10.4
MS	101.1	-0.4	1.4	0.9	0.2	4.9	717.5	0.1	4.2	10.5
MT	82.3	-0.6	1.0	0.4	0.3	4.9	448.4	0.7	4.6	10.5
NC	123.0	-0.1	1.9	1.5	0.1	4.8	525.7	0.5	4.5	11.2
ND	100.7	-0.4	1.4	0.0	0.4	5.0	409.4	0.8	4.7	11.1
NE	128.2	-0.1	2.0	0.1	0.4	5.0	521.9	0.5	4.5	11.6
NH	95.1	-0.5	1.3	41.4	-5.9	0.0	1064.1	-0.7	3.7	4.9
NJ	104.9	-0.4	1.5	0.5	0.3	4.9	338.2	0.9	4.8	11.2
NM	171.7	0.4	3.1	0.0	0.4	5.0	1372.5	-1.4	3.2	11.2
NV	397.2	3.1	8.4	1.0	0.2	4.9	898.7	-0.3	3.9	17.2
NY	65.9	-0.8	0.6	3.4	-0.1	4.6	872.5	-0.3	4.0	9.1
OH	82.6	-0.6	1.0	2.9	-0.1	4.6	722.8	0.1	4.2	9.8
OK	114.6	-0.2	1.7	1.5	0.1	4.8	671.6	0.2	4.3	10.8
OR	160.8	0.3	2.8	0.1	0.4	5.0	841.5	-0.2	4.0	11.8
PA	145.8	0.1	2.4	21.1	-2.8	2.5	856.5	-0.2	4.0	8.9
RI	91.8	-0.5	1.2	1.4	0.2	4.8	947.6	-0.4	3.9	9.9
SC	75.4	-0.7	0.8	1.1	0.2	4.9	837.6	-0.2	4.0	9.7
SD	80.5	-0.7	0.9	0.0	0.4	5.0	421.8	0.7	4.7	10.6
TN	232.7	1.2	4.5	0.0	0.4	5.0	623.2	0.3	4.4	13.9
TX	149.7	0.2	2.5	1.3	0.2	4.8	3391.9	-5.9	0.0	7.4
UT	84.6	-0.6	1.0	0.9	0.2	4.9	726.3	0.0	4.2	10.1
VA	161.4	0.3	2.8	0.0	0.4	5.0	713.8	0.1	4.2	12.0
VT	466.8	4.0	10.0	1.2	0.2	4.9	766.0	0.0	4.1	19.0
WA	293.3	1.9	5.9	0.1	0.4	5.0	638.9	0.2	4.3	15.2
WI	71.8	-0.8	0.7	0.0	0.4	5.0	434.3	0.7	4.7	10.4
WV	81.2	-0.6	0.9	0.0	0.4	5.0	728.3	0.0	4.2	10.1
WY	124.3	-0.1	1.9	0.9	0.2	4.9	506.5	0.5	4.5	11.4

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.[84]

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.[85] In response to both the public criticism and the threat of preemption, state regulators moved in 1994 through the National Association of Insurance Commissioners to create and implement a risk-based capital regime of solvency regulation.[86] 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 companies they regulate: financial exams, which look at a company's assets, liabilities and policyholder surplus, and market conduct exams, which look into a company's business practices and how well 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 market to either type of exam. In the case of financial exams, states overwhelmingly concentrate their attention on domestic insurers, and it is a regulatory rule-of-thumb that each domestic company should expect to be examined at least once every five years.

In this report, we attempt to gauge how well states are keeping up with their duties to examine the companies they regulate. We did this by drawing on NAIC data on the number of financial exams and combined financial/market conduct exams the states reported having completed for domestic companies in each year from 2012 through 2016.[87] We then compared those figures to the number of domestic companies listed as operating in the state for each of those five years, to calculate the proportion of domestic companies that were examined.

Given the guidance that every company should be examined at least once every five years, our baseline expectation for the sum of those five years of exams is 100 percent. The good news is that 33 of the 50 states met that minimum standard, although that necessarily means that 17 states did not. The mean percentage of domestic insurers examined was 135.3 percent, with a standard deviation of 83.6 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 good 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

84. 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.

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

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

87. *Insurance Department Resources Report*: 2012-2016 editions, National Association of Insurance Commissioners.

by placing the financially troubled company into receivership. If the company may be saved, a court can order it into a conservatory rehabilitation or supervisory rehabilitation, a reorganization process that can include allowing the company to resume writing new business. Where rehabilitation is deemed impossible, a liquidation order is signed, wherein a company's assets will be sold off to make good on its remaining obligations, and guaranty fund coverage may be triggered to pay claims.

For the report card, we summed the total in-progress claims liability of insurers placed in runoff, supervision, conservation, receivership and liquidation for each state, as of Dec. 31, 2016.[88]

The totals ranged from Pennsylvania's $22.32 billion to 11 states that had no in-progress runoff claims liability at all and one state, Wisconsin, that actually reports negative in-progress runoff claims liability. The negative liabilities stem from a single company, the financial guaranty insurer Ambac Assurance Corp., which was placed in rehabilitation in 2010. The company's general account reports $373.1 million of negative liabilities because its reinsurance policy provides coverage through surplus notes issued to satisfy claims.[89] The Ambac negative liabilities are partially offset by $100,000 of in-progress liabilities from the Partnership Health Plan liquidation.[90]

We scored states based on the proportion of total 2016 net written premiums the outstanding runoff liabilities represented. States with a high proportion of runoff liabilities were downgraded. Taken together, runoff liabilities represented 2.5 percent of the average state's annual net written premium, with a standard deviation of 6.7 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 the dozen states with no or negative liabilities to New Hampshire, whose $4.03 billion of runoff liabilities represent 41.4 percent of 2016 net written premiums, nearly six 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?

88. "2016 Insurance Department Resources Report: Volume One," pp. 46-50, June 2017. http://www.naic.org/prod_serv/STA-BB-16-01.pdf.

89. Wisconsin Division of Regulation and Enforcement, "Wisconsin Insurance Report Business of 2016," Bureau of Financial Analysis and Examinations, p. 83, Aug. 25, 2017. https://oci.wi.gov/Documents/AboutOCI/RehabLiquid2016.pdf.

90. Ibid., p. 84; and "2016 Insurance Department Resources Report: Volume One," p. 50.

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 2016 statutory data from S&P Global,[91] 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 748.53 across the 50 states, up from 671.19 a year earlier, and a standard deviation of 448.65. Notably, states in the Southwest tend to have thinly capitalized markets, with Arizona and New Mexico both demonstrating capitalization ratios that were both nearly one and a half standard deviations greater than the mean and Texas' ratio of 3,391.9 coming in nearly six standard deviations greater. The most strongly capitalized markets were found in North Dakota, New Jersey and Hawaii, with the last of that bunch clocking in more than a full standard deviation lower 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 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 18.9 points, scored by Vermont, to a low of 4.9 points, scored by Texas.

91. S&P Global Market Intelligence, P&C Market Share Application, 2017.

TABLE 4: AUTO INSURANCE MARKET

STATE	CONCENTRATION		LOSS RATIO		TOTALS	POINTS
	HHI	Weighted	5-yr avg. (%)	Weighted		
AK	1749.4	-3.1	58.3	-1.2	-4.3	1.3
AL	1198.6	-0.6	67.2	0.0	-0.6	6.9
AR	1099.6	-0.2	65.4	0.0	-0.2	7.6
AZ	874.5	0.8	67.0	0.0	0.8	9.2
CA	754.5	1.4	66.7	0.0	1.38	10.0
CO	951.3	0.5	77.3	-1.7	-1.2	6.0
CT	809.4	1.1	66.4	0.0	1.1	9.6
DE	1306.4	-1.1	66.0	0.0	-1.1	6.2
FL	1207.4	-0.7	67.1	0.0	-0.7	6.9
GA	1018.6	0.2	72.0	-0.9	-0.7	6.8
HI	1390.2	-1.5	56.5	-1.5	-3.0	3.3
IA	1032.3	0.1	61.2	-0.7	-0.6	6.9
ID	841.5	1.0	62.1	-0.6	0.4	8.5
IL	1353.0	-1.3	63.6	0.0	-1.3	5.8
IN	964.2	0.4	64.5	0.0	0.4	8.5
KS	927.3	0.6	62.9	-0.5	0.1	8.1
KY	1181.5	-0.5	68.0	0.0	-0.5	7.0
LA	1673.0	-2.8	74.5	-1.3	-4.1	1.6
MA	1116.7	-0.3	63.2	0.0	-0.3	7.5
MD	1288.3	-1.0	67.6	0.0	-1.0	6.3
ME	753.7	1.4	59.9	-0.9	0.4	8.6
MI	1022.4	0.2	100.2	-5.3	-5.1	0.0
MN	1139.2	-0.4	60.4	-0.9	-1.2	6.0
MO	1064.4	0.0	67.3	0.0	0.0	7.8
MS	1169.8	-0.5	67.8	0.0	-0.5	7.1
MT	1103.7	-0.2	64.6	0.0	-0.2	7.6
NC	899.6	0.7	65.4	0.0	0.7	9.0
ND	792.1	1.2	58.2	-1.2	0.0	7.9
NE	1019.4	0.2	67.2	0.0	0.2	8.2
NH	817.7	1.1	61.1	-0.8	0.3	8.4
NJ	1027.5	0.1	66.4	0.0	0.1	8.1
NM	1052.5	0.0	64.9	0.0	0.0	7.9
NV	918.1	0.6	69.9	-0.6	0.0	7.9
NY	1514.3	-2.1	68.1	0.0	-2.1	4.7
OH	881.2	0.8	61.3	-0.7	0.1	8.0
OK	1082.1	-0.1	64.6	0.0	-0.1	7.7
OR	992.1	0.3	64.8	0.0	0.3	8.4
PA	1016.8	0.2	65.5	0.0	0.2	8.2
RI	1023.8	0.2	70.5	-0.7	-0.5	7.1
SC	1160.3	-0.5	71.0	-0.8	-1.3	6.0
SD	854.2	0.9	71.5	-0.8	0.1	8.1
TN	1084.2	-0.1	63.8	0.0	-0.1	7.7
TX	860.5	0.9	69.7	-0.6	0.3	8.3
UT	813.5	1.1	66.3	0.0	1.1	9.6
VA	1042.9	0.1	65.0	0.0	0.1	8.0
VT	809.2	1.1	60.3	-0.9	0.3	8.3
WA	845.8	1.0	66.3	0.0	1.0	9.4
WI	971.2	0.4	64.7	0.0	0.4	8.5
WV	1316.0	-1.2	55.9	-1.6	-2.7	3.7
WY	1216.0	-0.7	61.9	-0.6	-1.3	5.8

SOURCES: S&P Global Market Intelligence

AUTO INSURANCE MARKET (10 PERCENT OF TOTAL SCORE)

As in past editions of this report, we examined empirical data on the competitiveness of states' auto and home insurance markets, with a particular focus on the concentration and market share of insurance groups within each market; and the long-term loss ratios reported 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 markets, as measured by the Herfindahl-Hirschman Index.[92] The HHI, which is used by the U.S. Justice Department (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 a number of 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 concentrated, while those in excess of 2,500 points are highly concentrated. On a nationwide basis, the auto insurance market last year had an HHI score of 765.1, while the mean HHI score of the 50 states was 1060.0, with a standard deviation of 221.3. Under the metrics used by the DOJ and FTC,

92. Ibid.

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 median HHI concentration score a value of 0.0 and weighted states by how many standard deviations they were above or below that baseline. Maine and California were the least-concentrated auto insurance markets, with HHI scores that were 1.4 standard deviations less than the mean. Alaska was the most concentrated auto insurance market, 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.[93] 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 as a whole has tended to break even on its underwriting book of business. This has shifted somewhat over the decades. In the 1970s through the 1990s, when investment returns on fixed-income securities were strong, due to relatively high bond yields, the industry's "combined ratio"—its losses and expenses expressed as a percentage of its premiums written—tended to run slightly above 100, which indicates underwriting losses.[94] As interest rates have plummeted the past decade and a half, modest underwriting profits have become more common, as there has not been sufficient investment income to make up the difference.[95]

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.

However, loss ratios are not simply a measure of the propensity of a state to experience large losses. Insurance regulators are charged with ensuring that rates are neither excessive nor insufficient (also that they are not discriminatory). If insurers are charging appropriate amounts for the coverage 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 67.9, up from 67.0 a year earlier. The mean of the 50 states was 66.0, with a standard deviation of 6.5.

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 13 states that had five-year average loss ratios that were more than half a standard deviation less than the mean, led by Hawaii and Alaska, which were both about one and a half 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 more than five standard deviations greater than the mean. However, it should be noted that Michigan's loss ratio has fallen precipitously in recent years, from 127.2 in 2012 to 89.3 in 2016.

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, which scored 0.0, to California, which had the most competitive market.

TABLE 5: HOMEOWNERS INSURANCE MARKET

	CONCENTRATION		LOSS RATIO			
STATE	HHI	Weighted	5-yr avg. (%)	Weighted	TOTALS	POINTS
AK	1992.9	-3.4	45.5	-0.7	-4.1	0.0
AL	1359.2	-1.2	46.3	-0.6	-1.8	4.1
AR	1183.6	-0.6	54.0	0.0	-0.6	6.2
AZ	893.3	0.4	49.3	0.0	0.4	8.0
CA	903.0	0.4	50.0	0.0	0.4	7.9
CO	988.6	0.1	88.7	-2.7	-2.6	2.6
CT	573.6	1.5	44.8	-0.7	0.8	8.7
DE	1130.5	-0.4	48.2	-0.5	-0.9	5.6
FL	382.0	2.2	29.4	-1.9	0.3	7.7
GA	1197.2	-0.6	59.2	0.0	-0.6	6.1
HI	1527.4	-1.8	27.0	-2.1	-3.9	0.4

93. Ibid.

94. "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.

95. "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.

IA	1163.5	-0.5	48.6	0.0	-0.5	6.3
ID	840.8	0.6	58.7	0.0	0.6	8.3
IL	1455.5	-1.5	65.4	-0.9	-2.4	2.9
IN	1038.6	-0.1	61.0	-0.6	-0.6	6.1
KS	1001.5	0.0	47.9	-0.5	-0.5	6.4
KY	1325.7	-1.1	62.8	-0.7	-1.8	4.1
LA	1082.0	-0.2	35.7	-1.4	-1.6	4.3
MA	596.7	1.4	50.1	0.0	1.4	9.8
MD	1008.4	0.0	54.6	0.0	0.0	7.3
ME	578.4	1.5	41.1	-1.0	0.5	8.1
MI	969.6	0.1	57.2	0.0	0.1	7.5
MN	1095.6	-0.3	49.5	0.0	-0.3	6.7
MO	1171.6	-0.6	57.9	0.0	-0.6	6.3
MS	1265.5	-0.9	51.9	0.0	-0.9	5.7
MT	1224.5	-0.7	86.6	-2.5	-3.3	1.4
NC	842.6	0.6	48.8	0.0	0.6	8.3
ND	786.5	0.8	48.0	-0.5	0.3	7.7
NE	1117.6	-0.4	93.8	-3.1	-3.5	1.1
NH	609.0	1.4	45.8	-0.6	0.8	8.6
NJ	560.5	1.6	59.4	0.0	1.6	10.0
NM	1159.7	-0.5	58.9	0.0	-0.5	6.3
NV	983.5	0.1	49.0	0.0	0.1	7.4
NY	748.2	0.9	49.9	0.0	0.9	8.8
OH	860.4	0.5	52.2	0.0	0.5	8.2
OK	1320.9	-1.1	69.6	-1.2	-2.3	3.2
OR	1180.8	-0.6	48.1	-0.5	-1.1	5.3
PA	995.8	0.1	51.5	0.0	0.1	7.3
RI	733.1	1.0	50.8	0.0	1.0	8.9
SC	846.4	0.6	44.5	-0.7	-0.1	7.0
SD	834.1	0.6	82.4	-2.2	-1.6	4.4
TN	1211.9	-0.7	59.4	0.0	-0.7	6.0
TX	966.8	0.2	57.5	0.0	0.2	7.5
UT	841.0	0.6	49.5	0.0	0.6	8.3
VA	941.3	0.2	46.3	-0.6	-0.4	6.6
VT	675.0	1.2	48.2	-0.5	0.7	8.4
WA	941.3	0.2	53.1	0.0	0.2	7.7
WI	896.8	0.4	46.4	-0.6	-0.2	6.9
WV	1254.8	-0.8	58.7	0.0	-0.8	5.7
WY	1298.6	-1.0	58.2	0.0	-1.0	5.5

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 629.2, down from 641.5 a year earlier, and the mean of the 50 states was 1,011.1, with a standard deviation of 288.6. Alaska and Hawaii were the only states with moderately concentrated homeowners insurance markets, as defined by DOJ and the FTC, and no state had a highly concentrated market.

We assigned the median 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 scores that was 2.2 standard deviations less than the mean. Just as it was in the auto insurance market, Alaska was the most concentrated home insurance market, with an HHI score 3.4 standard deviations greater than the mean.

Loss Ratios: As this year's landfalls of hurricanes Harvey, Irma and Maria demonstrate, our reliance on five-year average loss ratios is of particular importance in the homeowners insurance market, where catastrophes can introduce outsized losses in any given year. The nationwide five-year average loss ratio was 51.6, down from 56.3 a year earlier, and the mean of the 50 states was 54.0, with a standard deviation of 12.8.[96]

There were eight 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 3.1 standard deviations greater than the mean. At the other end of the scale, 16 states had loss ratios that were more than half a standard deviation below the mean, with Hawaii reporting the absolute lowest loss ratio at 2.1 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 scored 0.0, to New Jersey, which finished with 10.0 points, for the most competitive market.

96. S&P Global Market Intelligence, P&C Market Share Application, 2017.

TABLE 6: RESIDUAL MARKETS

STATE	AUTO		HOMEOWNERS		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	0.9	-1.0	0.0	0.0	0.0	0.0	-1.0	14.5
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	23.9	-2.4	0.0	0.0	-2.4	13.8
CA	0.0	0.0	0.7	-0.8	12.4	-1.2	38.3	-3.8	-5.8	12.1
CO	0.0	0.0	0.0	0.0	58.6	-5.9	0.0	0.0	-5.9	12.1
CT	0.0	0.0	0.2	-0.2	0.0	0.0	0.0	0.0	-0.2	14.9
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	4.3	-4.4	0.0	0.0	12.1	-1.2	-5.7	12.2
GA	0.0	0.0	0.7	-0.7	0.0	0.0	0.0	0.0	-0.7	14.6
HI	0.3	-0.7	0.0	0.0	27.4	-2.7	0.0	0.0	-3.5	13.3
IA	0.0	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	-0.1	15.0
ID	0.0	0.0	0.0	0.0	61.1	-6.1	0.0	0.0	-6.1	11.9
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	15.0
KS	0.1	-0.2	0.5	-0.6	0.0	0.0	0.0	0.0	-0.7	14.6
KY	0.0	0.0	0.4	-0.4	28.7	-2.9	0.0	0.0	-3.3	13.3
LA	0.0	0.0	2.6	-2.6	23.2	-2.3	0.0	0.0	-5.0	12.5
MA	1.3	-3.2	6.7	-7.0	0.0	0.0	0.0	0.0	-10.1	9.9
MD	1.1	-2.6	0.1	-0.1	23.7	-2.4	0.0	0.0	-5.0	12.5
ME	0.0	0.0	0.0	0.0	65.9	-6.6	0.0	0.0	-6.6	11.7
MI	0.1	-0.1	0.5	-0.5	19.2	-1.9	30.0	-3.0	-5.6	12.2
MN	0.0	0.0	0.1	-0.1	11.7	-1.2	0.0	0.0	-1.3	14.3
MO	0.0	0.0	0.1	-0.1	23.2	-2.3	0.0	0.0	-2.4	13.8
MS	0.0	0.0	2.4	-2.5	0.0	0.0	0.0	0.0	-2.5	13.7
MT	0.0	0.0	0.0	0.0	61.6	-6.2	0.0	0.0	-6.2	11.9
NC	30.3	-20.0	9.7	-10.0	0.0	0.0	0.0	0.0	-30.0	0.0
ND	0.0	0.0	0.0	0.0	100.0	-10.0	0.0	0.0	-10.0	10.0
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	0.3	-0.3	0.0	0.0	0.0	0.0	-1.0	14.5
NM	0.0	0.0	0.8	-0.8	36.5	-3.7	0.0	0.0	-4.5	12.8
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	0.5	-0.5	41.4	-4.1	0.0	0.0	-5.5	12.2
OH	0.0	0.0	0.5	-0.5	100.0	-10.0	0.0	0.0	-10.5	9.7
OK	0.0	0.0	0.0	0.0	29.7	-3.0	0.0	0.0	-3.0	13.5
OR	0.0	0.0	0.1	-0.1	70.7	-7.1	0.0	0.0	-7.2	11.4
PA	0.1	-0.2	0.2	-0.2	7.0	-0.7	0.0	0.0	-1.1	14.5
RI	2.1	-5.0	3.7	-3.8	59.5	-5.9	0.0	0.0	-14.7	7.6
SC	0.0	0.0	0.9	-0.9	0.0	0.0	0.0	0.0	-0.9	14.6
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	5.0	-5.2	40.1	-4.0	0.0	0.0	-9.2	10.4
UT	0.0	0.0	0.0	0.0	50.7	-5.1	0.0	0.0	-5.1	12.5
VA	0.0	0.0	0.6	-0.7	0.0	0.0	0.0	0.0	-0.7	14.7
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	10.0
WI	0.0	0.0	0.2	-0.2	0.0	0.0	0.0	0.0	-0.2	14.9
WV	0.0	0.0	0.1	-0.1	51.3	-5.1	0.0	0.0	-5.2	12.4
WY	0.0	0.0	0.0	0.0	100.0	-10.0	0.0	0.0	-10.0	10.0

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' comp state funds. In addition, we include in our analysis other unique state entities that function like residual markets (California's earthquake insurance pool, Florida's catastrophe fund and Michigan's catastrophe fund for auto insurance claims).

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 $214.7 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.[97]

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. Where 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 -20.0 penalty, which actually understates how unusual 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.[98]

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 1.72 percent in 2016, down from 1.87 percent in 2015, 2.38 percent in 2014, 2.74 percent in 2013 and 3.14 percent in 2012.[99]

Much of the improvement in recent years is attributable to the continued shrinking of Florida's Citizens Property Insur-

97. "Private Passenger Cars Insured in the Shared and Voluntary Markets, 2015," Automobile Insurance Plans Service Office, 2017. https://www.iii.org/table-archive/20745.

98. 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, 2017. https://www.irmi.com/online/insurance-glossary/terms/r/redlining.aspx.

99. "2016 FAIR and Beach Plan Underwriting Results and Market Penetration Report," Property Insurance Plans Services Office June 2017, p. 5.

ance Corp., which has dropped from 13.7 percent of the market in 2012 to just 4.28 percent of the market in 2016.[100] However, for the fifth straight year, North Carolina has seen growth in both its FAIR Plan and its Beach Plan. The FAIR Plan has grown from 0.65 percent of the market in 2012 to 2.42 percent in 2016. Meanwhile, the Beach Plan has exploded from 3.59 percent of the market in 2012 to 7.23 percent in 2016. Combined, the two plans now account for 9.65 percent of the market, more than doubling the market share of Florida's Citizens.[101]

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 (notably, Utah, Colorado, Rhode Island, Idaho, Montana, Maine and Oregon) still 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.[102] We also included West Virginia and Arizona, where recently privatized state funds still command an outsized share of the market, and the state of Michigan, where the residual market is provided by a unit of Blue Cross Blue Shield of Michigan. 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 damper competition in the private market. The breakdown is as follows:
• -3.8 points were deducted for the California Earthquake Authority, which writes 38.3 percent of that state's earthquake insurance market.[103]

• -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 $1.17 billion of premiums the MCCA collected in 2016[104] represented 30 percent of the $3.89 billion of PIP coverage insurers wrote in Michigan last year.[105]

• -1.2 points for the Florida Hurricane Catastrophe Fund, a state-operated reinsurer to which all writers of residential property insurance are statutorily required to cede premiums. The $1.07 billion of premiums the Cat Fund collected in 2016[106] represented 12.4 percent of the $8.81 billion of homeowners insurance premiums written in Florida last year.[107]

We summed the weighted home, auto and workers comp scores with the adjustments for other plans to reach a raw score, which then was weighted on a scale from 0.0 points, scored by North Carolina, to 15.0 points, scored by 10 states with no significant residual markets.

TABLE 7: RATE REGULATION

STATE	HOME	AUTO	MEDMAL	COMMERCIAL	COMBINED
AK	1	1	0	2	4
AL	0	0	0	2	2
AR	2	2	0	5	9
AZ	3	3	3	3	12
CA	0	0	0	0	0
CO	2	2	2	2	8
CT	1	0	0	2	3
DE	0	0	0	0	0
FL	3	2	3	3	11
GA	2	0	2	2	6
HI	0	0	0	0	0
IA	2	2	0	0	4
ID	3	3	3	3	12
IL	5	5	3	5	18
IN	2	2	2	3	9
KS	1	1	0	2	4
KY	1	1	1	3	6
LA	2	2	2	2	8
MA	2	0	0	2	4
MD	2	2	0	2	6

100. Ibid., p. 10.

101. "2016 FAIR and Beach Plan Underwriting Results and Market Penetration Report," p. 10.

102. S&P Global Market Intelligence, P&C Market Share Application, 2017.

103. Ibid.

104. "Annual Statement of the Michigan Catastrophic Claims Administration of Livonia," Michigan Insurance Department, June 30, 2017, p. 4. http://www.michigancatastrophic.com/Portals/71/Annual%20Statement%20FYE%20June2017%20Final_Summary.pdf.

105. S&P Global Market Intelligence, P&C Market Share Application, 2017.

106. "Florida Hurricane Catastrophe Fund: Combined Financial Statements," KPMG, Nov. 2, 2017, p. 5. https://www.sbafla.com/fhcf/Portals/FHCF/6302017_2016_FHCF_AuditedFS.PDF?ver=2017-11-13-095334-887.

107. S&P Global Market Intelligence, P&C Market Share Application, 2017.

ME	2	2	2	2	8
MI	2	2	0	5	9
MN	2	2	2	5	11
MO	3	3	2	3	11
MS	0	0	0	0	0
MT	2	2	2	2	8
NC	0	0	0	3	3
ND	0	0	0	3	3
NE	2	2	0	5	9
NH	2	2	0	3	7
NJ	0	0	1	3	4
NM	2	2	0	5	9
NV	0	0	0	2	2
NY	3	0	0	3	6
OH	3	3	3	3	12
OK	3	3	3	5	14
OR	2	2	1	5	10
PA	0	2	0	5	7
RI	2	2	0	5	9
SC	1	1	5	5	12
SD	2	2	2	5	11
TN	1	1	3	3	8
TX	2	2	2	2	8
UT	3	3	3	3	12
VA	2	2	2	2	8
VT	3	3	3	3	12
WA	0	0	0	3	3
WI	3	3	3	3	12
WV	0	0	0	2	2
WY	5	5	0	5	15

SOURCES: ISO State Filing Handbook, updated with recent legislative developments.

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 impose controls on how quickly or how sharply premium rates can rise, as well as rules about what are or are not appropriate rating and underwriting factors. However, it should be noted that, ultimately, it is not possible to force an insurer to sell coverage at levels below what they deem to be acceptable risk-adjusted returns.

We examine the processes states employ to review rates in four key property-casualty insurance markets: private auto, homeowners, medical liability and general commercial lines. 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 narrow "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 (as expected) that Illinois has the most liberal rate-regulation rules, followed by Wyoming and Oklahoma. At the other end of the spectrum are four states (California, Delaware, Hawaii and Mississippi) that employ prior-approval systems across the board.

Desk drawer rules – But while those are the states' systems as they exist "on the books," matters aren't 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.

However, some states have become notorious for what the industry commonly calls "desk drawer rules," in which regulators' interpretation of ambiguities in the statutory code or inconsistent application of legal provisions creates a lack of clarity. Based on informal discussions with experts who work in regulatory compliance, we evaluated the breadth and severity on a scale of 0 to 3. We received no reports of significant desk drawer rules in 27 of the 50 states, while five states (Arkansas, California, Georgia, New Hampshire 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 have allowed insurers to construct tremendously innovative proprietary rating models that can assign a proper rate to virtually any potential insured. However, the use of credit in insurance has periodically proven to be politically contentious. Despite studies by, among others, the Federal Trade Commission and the Texas Department of Insurance, which demonstrate conclusively that credit factors are predictive of future claims,[108] 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 lone underwriting variable, there are seven states that go beyond that to ban it altogether. Hawaii explicitly bans the use of credit in auto insurance underwriting and ratemaking, while California and Massachusetts disallow its use under their current regulatory regimes. Delaware will now prohibit its use under H.B. 80, which was signed into law this year. Maryland has banned its use in homeowners insurance, while Washington State significantly proscribes its consideration in cancellations and nonrenewals and Alaska does not allow use of credit information in the renewal process whatsoever. We deducted -2 points for each of the seven states with restrictive credit-scoring rules.

We also deducted -2 points for each of 10 states (California, Colorado, Connecticut, Delaware, Florida, Maryland, Missouri, New Hampshire, New Jersey and South Dakota) that impose especially stringent restrictions on the use of territory in underwriting and rate-setting. Where a piece of property is located or where a car is garaged and driven can have a large impact on the likelihood that it will experience claims-generating losses.

The states of California, Delaware, Hawaii, Massachusetts, Michigan, Montana, North Carolina and Pennsylvania prohibit the use of gender as an underwriting variable, regardless of actuarial validity. California, Hawaii, Massachusetts and North Carolina also prohibit the use of age, while Delaware, Michigan and Montana prohibit the use of marital status. We deducted -1 point for each of these personal markers barred as an underwriting factor.

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

108. "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.

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 65.7 and the standard deviation was 8.0. 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 one and a half standard deviations: F

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

For the fourth straight year and fifth time in the six years we have compiled this report, Vermont had the best insurance regulatory environment in the United States. Driven largely by changes made in its regulatory environment through the H.B. 80 legislative package, for the first time, Delaware had the worst score in the country, just narrowly edging out North Carolina, which had placed last the previous two years.

The biggest improvements were seen in Florida (from a C to a B), Michigan (from a C+ to a B), Pennsylvania and Tennessee (both from a B- to a B+). The biggest declines were seen in Delaware (from a D to an F) and New Hampshire (from an A- to a B-).

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

ABLE 8: UNDERWRITING FREEDOM

State	RATE REGULATION	DESK DRAWER	CREDIT SCORING	TERRITORY	PERSONAL	COMBINED	POINTS
AK	4	-2	0	0	0	2	8.1
AL	2	-2	0	0	0	0	6.7
AR	9	-3	0	0	0	6	11.1
AZ	12	0	0	0	0	12	15.6
CA	0	-3	-2	-2	-2	-9	0.0
CO	8	0	0	-2	0	6	11.1
CT	3	-2	0	-2	0	-1	5.9
DE	0	-2	-2	-2	-2	-8	0.7
FL	11	-2	0	-2	0	7	11.9
GA	6	-3	0	0	0	3	8.9
HI	0	-2	-2	0	-2	-6	2.2
IA	4	0	0	0	0	4	9.6
ID	12	0	0	0	0	12	15.6
IL	18	0	0	0	0	18	20.0
IN	9	0	0	0	0	9	13.3
KS	4	-2	0	0	0	2	8.1
KY	6	0	0	0	0	6	11.1
LA	8	0	0	0	0	8	12.6
MA	4	-1	-2	0	-2	-1	5.9
MD	6	-2	-2	-2	0	0	6.7
ME	8	0	0	0	0	8	12.6
MI	9	0	0	0	-2	7	11.9
MN	11	0	0	0	0	11	14.8
MO	11	0	0	-2	0	9	13.3
MS	0	-1	0	0	0	-1	5.9
MT	8	-1	0	0	-2	5	10.4
NC	3	0	0	0	-2	1	7.4
ND	3	-1	0	0	0	2	8.1
NE	9	0	0	0	0	9	13.3
NH	7	-3	0	-2	0	2	8.1
NJ	4	-1	0	-2	0	1	7.4
NM	9	0	0	0	0	9	13.3
NV	2	-2	0	0	0	0	6.7
NY	6	-3	0	0	0	3	8.9
OH	12	0	0	0	0	12	15.6
OK	14	0	0	0	0	14	17.0
OR	10	0	0	0	0	10	14.1
PA	7	-2	0	0	-1	4	9.6
RI	9	0	0	0	0	9	13.3
SC	12	-1	0	0	0	11	14.8
SD	11	0	0	-2	0	9	13.3
TN	8	0	0	0	0	8	12.6
TX	8	0	0	0	0	8	12.6
UT	12	0	0	0	0	12	15.6
VA	8	-1	0	0	0	7	11.9
VT	12	0	0	0	0	12	15.6
WA	3	-2	-2	0	0	-1	5.9
WI	12	0	0	0	0	12	15.6
WV	2	0	0	0	0	2	8.1
WY	15	0	0	0	0	15	17.8

STATE CAPSULE REPORTS

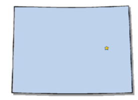
Alabama	2016 Grade	2017 Grade
	C-	C
	Score	Rank
	60.5	37
Strengths:	No special strengths.	
Weaknesses:	Concentrated homeowners market.	

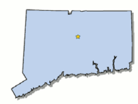
Alaska	2016 Grade	2017 Grade
	D-	D
	Score	Rank
	54.3	45
Strengths:	No regulatory surplus, no runoff obligations, small residual markets.	
Weaknesses:	High tax and fee burden, concentrated auto market, excess auto profits, concentrated homeowners market.	

Arizona	2016 Grade	2017 Grade
	A	A
	Score	Rank
	77.2	2
Strengths:	Low politicization, no regulatory surplus, broad underwriting freedom.	
Weaknesses:	High tax and fee burden, thinly capitalized markets.	

Arkansas	2016 Grade	2017 Grade
	C+	B-
	Score	Rank
	66.3	29
Strengths:	Small residual markets.	
Weaknesses:	Desk drawer rules.	

California	2016 Grade	2017 Grade
	D	D
	Score	Rank
	54.0	46
Strengths:	Competitive auto market.	
Weaknesses:	Highly politicized, desk drawer rules, little underwriting freedom.	

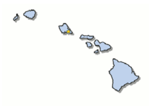
Colorado	2016 Grade	2017 Grade
	C	C
	Score	Rank
	61.4	36
Strengths:	No regulatory surplus.	
Weaknesses:	Very high auto loss ratio, very high homeowners loss ratio, large workers' comp fund.	

Connecticut	2016 Grade	2017 Grade
	C+	C+
	Score	Rank
	64.9	32
Strengths:	Competitive auto market, competitive homeowners market.	
Weaknesses:	Large regulatory surplus, little underwriting freedom.	

Delaware	2016 Grade	2017 Grade
	D	F
	Score	Rank
	50.1	50
Strengths:	Low tax and fee burden.	
Weaknesses:	Highly politicized, concentrated auto market, little underwriting freedom.	

Florida	2016 Grade	2017 Grade
	C	B
	Score	Rank
	70.7	15
Strengths:	No regulatory surplus, low tax and fee burden, competitive homeowners market.	
Weaknesses:	Behind on financial exams, excess homeowners profits, large residual homeowners market.	

Georgia	2016 Grade	2017 Grade
	C	C-
	Score	Rank
	59.5	38
Strengths:	No runoff obligations.	
Weaknesses:	Desk drawer rules.	

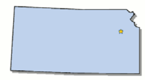
Hawaii	2016 Grade	2017 Grade
	D	D
	Score	Rank
	54.5	43 (tie)
Strengths:	No regulatory surplus, ahead on financial exams, strongly capitalized markets.	
Weaknesses:	Concentrated auto market, excess auto profits, concentrated homeowners market, excess homeowners profits, little underwriting freedom.	

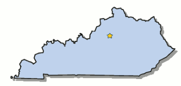
Idaho	2016 Grade	2017 Grade
	A	A
	Score	Rank
	75.4	3
Strengths:	Low politicization, no runoff obligations, competitive auto market, broad underwriting freedom.	
Weaknesses:	Large workers' comp fund.	

Illinois	2016 Grade	2017 Grade
	A	B+
	Score	Rank
	72.2	8 (tie)
Strengths:	Low tax and fee burden, broad underwriting freedom.	
Weaknesses:	Concentrated auto market, concentrated homeowners market.	

Indiana	2016 Grade	2017 Grade
	B	B
	Score	Rank
	70.8	14
Strengths:	Small residual markets.	
Weaknesses:	Large runoff obligations.	

Iowa	2016 Grade	2017 Grade
	B+	B
	Score	Rank
	70.4	17
Strengths:	Low politicization, low tax and fee burden, no runoff obligations, small residual markets.	
Weaknesses:	No special weaknesses.	

Kansas	2016 Grade	2017 Grade
	C	C
	Score	Rank
	62.2	34
Strengths:	No runoff obligations.	
Weaknesses:	No special weaknesses.	

Kentucky	2016 Grade	2017 Grade
	A-	B+
	Score	Rank
	72.2	8 (tie)
Strengths:	Low politicization, ahead on financial exams.	
Weaknesses:	Concentrated homeowners market.	

Louisiana	2016 Grade	2017 Grade
	D	F
	Score	Rank
	51.4	48
Strengths:	No special strengths.	
Weaknesses:	Large regulatory surplus, high tax and fee burden, concentrated auto market, very high auto loss ratio, excess homeowners profits, large residual homeowners market.	

Maine	2016 Grade	2017 Grade
	A	B+
	Score	Rank
	73.1	7
Strengths:	Low politicization, no runoff obligations, competitive auto market, competitive homeowners market.	
Weaknesses:	Excess homeowners profits, large workers' comp fund.	

Maryland	2016 Grade	2017 Grade
	C+	B-
	Score	Rank
	65.7	30
Strengths:	Low politicization.	
Weaknesses:	Concentrated auto market, large residual auto market.	

Massachusetts	2016 Grade	2017 Grade
	D-	F
	Score	Rank
	53.1	47
Strengths:	Competitive homeowners market.	
Weaknesses:	Large regulatory surplus, large residual auto market, large residual homeowners market, little underwriting freedom.	

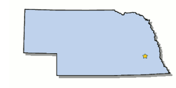
Michigan	2016 Grade	2017 Grade
	C+	B
	Score	Rank
	69.0	22
Strengths:	Low politicization, no regulatory surplus, low tax and fee burden.	
Weaknesses:	Very high auto loss ratio.	

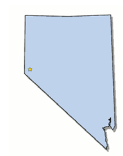
Minnesota	2016 Grade	2017 Grade
	B	B
	Score	Rank
	69.6	20
Strengths:	No special strengths.	
Weaknesses:	Behind on financial exams.	

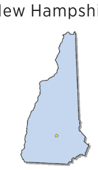
Mississippi	2016 Grade	2017 Grade
	D	D
	Score	Rank
	55.5	41
Strengths:	No special strengths.	
Weaknesses:	High tax and fee burden, large residual homeowners market, little underwriting freedom.	

Missouri	2016 Grade	2017 Grade
	B	B
	Score	Rank
	70.6	16
Strengths:	No special strengths.	
Weaknesses:	No special weaknesses.	

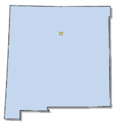
Montana	2016 Grade	2017 Grade
	D	D
	Score	Rank
	54.5	43 (tie)
Strengths:	No special strengths.	
Weaknesses:	High tax and fee burden, very high homeowners loss ratio, large workers' comp fund.	

Nebraska	2016 Grade	2017 Grade
	B	B-
	Score	Rank
	68.3	23
Strengths:	Small residual markets.	
Weaknesses:	Very high homeowners loss ratio.	

Nevada	2016 Grade	2017 Grade
	B+	A
	Score	Rank
	74.9	4 (tie)
Strengths:	No regulatory surplus, low tax and fee burden, ahead on financial exams, small residual markets.	
Weaknesses:	No special weaknesses.	

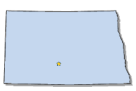
New Hampshire	2016 Grade	2017 Grade
	A-	B-
	Score	Rank
	67.3	25 (tie)
Strengths:	Low politicization, competitive auto market, competitive homeowners market, small residual markets.	
Weaknesses:	Large runoff obligations, desk drawer rules.	

New Jersey	2016 Grade	2017 Grade
	B-	B-
	Score	Rank
	68.1	24
Strengths:	Strongly capitalized markets, competitive homeowners market.	
Weaknesses:	No special weaknesses.	

New Mexico	2016 Grade	2017 Grade
	B	B-
	Score	Rank
	66.9	28
Strengths:	No runoff obligations.	
Weaknesses:	Large regulatory surplus, high tax and fee burden, thinly capitalized markets.	

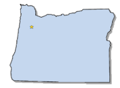
New York	2016 Grade	2017 Grade
	D+	D
	Score	Rank
	55.4	42
Strengths:	No special strengths.	
Weaknesses:	Large regulatory surplus, concentrated auto market, desk drawer rules.	

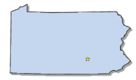
North Carolina	2016 Grade	2017 Grade
	F	F
	Score	Rank
	50.2	49
Strengths:	No special strengths.	
Weaknesses:	Large residual auto market, large residual homeowners market, little underwriting freedom.	

North Dakota	2016 Grade	2017 Grade
	D+	C-
	Score	Rank
	59.1	39
Strengths:	No runoff obligations, strongly capitalized markets, competitive auto market.	
Weaknesses:	Excess auto profits, monopoly workers' comp fund.	

Ohio	2016 Grade	2017 Grade
	B	B
	Score	Rank
	70.2	19
Strengths:	Broad underwriting freedom.	
Weaknesses:	Monopoly workers' comp fund.	

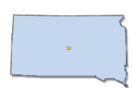
Oklahoma	2016 Grade	2017 Grade
	C	C+
	Score	Rank
	64.5	33
Strengths:	Broad underwriting freedom.	
Weaknesses:	Concentrated homeowners market, very high homeowners loss ratio.	

Oregon	2016 Grade	2017 Grade
	B+	B+
	Score	Rank
	72.0	10
Strengths:	No regulatory surplus, low tax and fee burden.	
Weaknesses:	Large workers' comp fund.	

Pennsylvania	2016 Grade	2017 Grade
	B-	B+
	Score	Rank
	71.2	13
Strengths:	Low politicization.	
Weaknesses:	Large runoff obligations.	

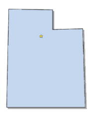
Rhode Island	2016 Grade	2017 Grade
	C+	C+
	Score	Rank
	65.1	31
Strengths:	No regulatory surplus, competitive homeowners market.	
Weaknesses:	Large residual auto market, large residual homeowners market, large workers' comp fund.	

South Carolina	2016 Grade	2017 Grade
	B	B
	Score	Rank
	70.3	18
Strengths:	No special strengths.	
Weaknesses:	No special weaknesses.	

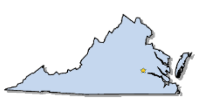
South Dakota	2016 Grade	2017 Grade
	B-	B-
	Score	Rank
	67.3	25 (tie)
Strengths:	No runoff obligations, small residual markets.	
Weaknesses:	Large regulatory surplus, very high homeowners loss ratio.	

Tennessee	2016 Grade	2017 Grade
	B-	B+
	Score	Rank
	71.7	12
Strengths:	Ahead on financial exams, no runoff obligations, small residual markets.	
Weaknesses:	High tax and fee burden.	

Texas	2016 Grade	2017 Grade
	B-	B-
	Score	Rank
	67.2	27
Strengths:	Low politicization.	
Weaknesses:	Thinly capitalized markets, large residual homeowners market.	

Utah	2016 Grade	2017 Grade
	A	A
	Score	Rank
	74.9	4 (tie)
Strengths:	No regulatory surplus, competitive auto market, broad underwriting freedom.	
Weaknesses:	Large workers' comp fund.	

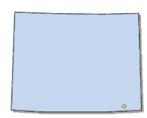
Vermont	2016 Grade	2017 Grade
	A+	A+
	Score	Rank
	86.2	1
Strengths:	Low politicization, ahead on financial exams, competitive auto market, competitive homeowners market, small residual markets, broad underwriting freedom.	
Weaknesses:	High tax and fee burden.	

Virginia	2016 Grade	2017 Grade
	B	B+
	Score	Rank
	71.8	11
Strengths:	No special strengths.	
Weaknesses:	No special weaknesses.	

Washington	2016 Grade	2017 Grade
	C-	C
	Score	Rank
	61.7	35
Strengths:	Ahead on financial exams, competitive auto market.	
Weaknesses:	Monopoly workers' comp fund, little underwriting freedom.	

West Virginia	2016 Grade	2017 Grade
	C	C-
	Score	Rank
	58.7	40
Strengths:	No runoff obligations.	
Weaknesses:	Large regulatory surplus, high tax and fee burden, concentrated auto market, excess auto profits, large workers' comp fund.	

Wisconsin	2016 Grade	2017 Grade
	A-	A-
	Score	Rank
	74.2	6
Strengths:	Low tax and fee burden, broad underwriting freedom.	
Weaknesses:	No special weaknesses.	

Wyoming	2016 Grade	2017 Grade
	B	B
	Score	Rank
	69.6	21
Strengths:	Broad underwriting freedom.	
Weaknesses:	Concentrated homeowners market, monopoly workers' comp fund	

In conclusion, we are hopeful that R Street's sixth 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 improve the report next year and in the years ahead.

ABOUT THE AUTHOR

R.J. Lehmann is editor-in-chief and senior fellow of the R Street Institute, responsible for managing all of the institute's editorial and communications functions. He is also the author of numerous R Street policy studies, including the 2012-2016 editions of the flagship Insurance Regulation Report Card.

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).

Earlier in his career, R.J. held a variety of positions in the fields of journalism and public relations, including as managing editor of the Elizabeth Gazette, Hillside Leader, Springfield Leader, Mountainside Echo and Palm Beach Jewish News; associate editor with Travel Weekly; staff writer with the Ocean County Observer; media relations specialist with Lockheed Martin IMS; and public affairs director of the Independent Institute.

He is a three-time award winner from the American Society of Business Publication Editors and was the youngest-ever winner of a first-place prize from the New Jersey Press Association. He is also an associate fellow of the John Locke Institute and the James Madison Institute. His film reviews appear regularly in Creative Loafing Tampa.

R.J. lives in St. Petersburg, Florida, with his wife, Arin Greenwood, their dog, Murray Rothbark and their cats, Elf, Jack and Chaplin.

TABLE 9: 50 STATES RANKED BY TOTAL SCORE

STATE	POLITICIZATION	EFFICIENCY	SOLVENCY	AUTO	HOME	RESIDUAL	UNDERWRITING	SCORE	GRADE
VT	10.0	10.0	19.0	8.3	8.4	15.0	15.6	86.2	A+
AZ	10.0	11.4	9.4	9.2	8.0	13.8	15.6	77.2	A
ID	10.0	9.4	11.8	8.5	8.3	11.9	15.6	75.4	A
UT	5.8	13.1	10.1	9.6	8.3	12.5	15.6	74.9	A
NV	5.8	14.8	17.2	7.9	7.4	15.0	6.7	74.9	A
WI	5.8	12.2	10.4	8.5	6.9	14.9	15.6	74.2	A-
ME	10.0	11.5	10.6	8.6	8.1	11.7	12.6	73.1	B+
IL	5.0	13.0	10.5	5.8	2.9	14.9	20.0	72.2	B+
KY	10.0	11.5	15.1	7.0	4.1	13.3	11.1	72.2	B+
OR	6.7	14.4	11.8	8.4	5.3	11.4	14.1	72.0	B+
VA	8.3	10.4	12.0	8.0	6.6	14.7	11.9	71.8	B+
TN	5.8	10.7	13.9	7.7	6.0	15.0	12.6	71.7	B+
PA	10.0	12.7	8.9	8.2	7.3	14.5	9.6	71.2	B+
IN	5.8	12.7	9.4	8.5	6.1	15.0	13.3	70.8	B
FL	8.3	14.6	9.1	6.9	7.7	12.2	11.9	70.7	B
MO	5.8	13.1	10.4	7.8	6.3	13.8	13.3	70.6	B
IA	10.0	12.3	10.2	6.9	6.3	15.0	9.6	70.4	B
SC	5.8	12.5	9.7	6.0	7.0	14.6	14.8	70.3	B
OH	5.8	13.0	9.8	8.0	8.2	9.7	15.6	70.2	B
MN	5.8	12.4	9.5	6.0	6.7	14.3	14.8	69.6	B
WY	5.8	13.3	11.4	5.8	5.5	10.0	17.8	69.6	B
MI	10.0	15.0	12.4	0.0	7.5	12.2	11.9	69.0	B
NE	5.8	13.3	11.6	8.2	1.1	15.0	13.3	68.3	B-
NJ	5.8	11.0	11.2	8.1	10.0	14.5	7.4	68.1	B-
NH	10.0	12.2	4.9	8.4	8.6	15.0	8.1	67.3	B-
SD	6.7	9.2	10.6	8.1	4.4	15.0	13.3	67.3	B-
TX	10.0	10.9	7.4	8.3	7.5	10.4	12.6	67.2	B-
NM	8.3	6.9	11.2	7.9	6.3	12.8	13.3	66.9	B-
AR	5.8	9.5	11.1	7.6	6.2	15.0	11.1	66.3	B-
MD	10.0	12.2	10.7	6.3	7.3	12.5	6.7	65.7	B-
RI	5.8	12.4	9.9	7.1	8.9	7.6	13.3	65.1	C+
CT	5.8	9.7	10.3	9.6	8.7	14.9	5.9	64.9	C+
OK	1.7	10.5	10.8	7.7	3.2	13.5	17.0	64.5	C+
KS	1.7	12.3	10.9	8.1	6.4	14.6	8.1	62.2	C
WA	1.7	11.8	15.2	9.4	7.7	10.0	5.9	61.7	C
CO	5.8	13.3	10.5	6.0	2.6	12.1	11.1	61.4	C
AL	5.8	11.6	10.9	6.9	4.1	14.5	6.7	60.5	C
GA	1.7	11.7	9.7	6.8	6.1	14.6	8.9	59.5	C-
ND	1.7	12.6	11.1	7.9	7.7	10.0	8.1	59.1	C-
WV	10.0	8.5	10.1	3.7	5.7	12.4	8.1	58.7	C-
MS	1.7	10.9	10.5	7.1	5.7	13.7	5.9	55.5	D
NY	4.2	7.4	9.1	4.7	8.8	12.2	8.9	55.4	D
HI	6.7	12.4	16.2	3.3	0.4	13.3	2.2	54.5	D
MT	1.7	10.9	10.5	7.6	1.4	11.9	10.4	54.5	D
AK	6.7	11.3	11.9	1.3	0.0	15.0	8.1	54.3	D
CA	0.0	13.0	11.0	10.0	7.9	12.1	0.0	54.0	D
MA	5.8	3.4	10.8	7.5	9.8	9.9	5.9	53.1	F
LA	1.7	7.7	11.0	1.6	4.3	12.5	12.6	51.4	F
NC	1.7	12.6	11.2	9.0	8.3	0.0	7.4	50.2	F
DE	0.0	12.1	10.5	6.2	5.6	14.9	0.7	50.1	F