

STATE OF NEVADA
DEPARTMENT OF BUSINESS & INDUSTRY
DIVISION OF INSURANCE
2013 NEVADA INSURANCE
MARKET REPORT

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Foreword

The 2013 Nevada Insurance Market Report provides information on the activities of the Division of Insurance over the past two years. The Report is intended to provide Legislators an understanding of the issues facing Nevada consumers and the insurance industry. Pursuant to Nevada Revised Statute (NRS 679B.410), this report must be delivered to the Legislature no later than February 1 of each legislative session year.

As an agency that is first and foremost a consumer protection agency, all of our regulatory activities are intended to benefit consumers of insurance in Nevada. This is evident in the \$8,189,363 recovered for consumers and insurers in 2011, and \$6,335,647 recovered for consumers and insurers in 2012. As this report will detail, this is just a small snapshot of the activities of the Division.

Nevada consumers continue to be well-served by a competitive property and casualty insurance market. Market concentration among automobile insurers remains relatively constant and average premium increases have been mild. Physical damage coverages have seen a downward trend while medical liability coverages have seen an upward trend, likely due to rising medical treatment costs.

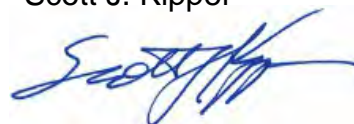
The market for homeowners' and related insurance saw slight increases in competitiveness as the largest insurance groups saw a small decrease in market share over the biennium. Premiums rose slightly, primarily as a result of increased claims costs and catastrophe claims reserving.

Throughout the biennium, Division staff has been working diligently to properly research and implement the various provisions of the federal Patient Protection and Affordable Care Act of 2010. While change in the health insurance market is inevitable, we believe that Nevada is situated to implement a solution that will minimize that disruption as much as possible and provide a beneficial, state-based implementation that will benefit all Nevadans.

Nevada is ranked sixth in the country for domiciling captive insurers. The Division continues to work closely with the captive insurance industry to ensure that captive insurers remain financially solvent while creating an attractive business environment.

Details of these topics, as well and others pertaining to Nevada's insurance market, are included in this report. I encourage you to contact me if you would like to discuss any issue in greater detail as you work to address your constituents' concerns during the 77th (2013) Legislative Session.

Sincerely,
Scott J. Kipper



Commissioner of Insurance

About the Division of Insurance

The Nevada Division of Insurance (Division, DOI) is the primary regulatory and consumer protection agency of the insurance industry in Nevada. The Division's primary office is located in Carson City with a second office located in Las Vegas. The Division employs approximately 85 full time staff members in its two locations and is organized into eight operational sections:

- 1) Administrative Section;
- 2) Legal and Enforcement Section;
- 3) Property and Casualty Section;
- 4) Life and Health Section;
- 5) Consumer Services Section;
- 6) Producer Licensing Section;
- 7) Self-Insured Worker's Compensation Section; and
- 8) Corporate and Financial Affairs/Captive Insurer Section.

SB 426 was passed during the 75th (2009) Legislative Session with the intent of transitioning the Division from a General Fund agency to an enterprise agency; this was accomplished by creating the Fund for Insurance Administration and Enforcement. This move received heavy support from the insurance industry, which was supportive of ensuring that the Division maintained a professional, educated, and well-trained staff. Since May 29, 2009 (the effective date of SB 426 (2009)) the Division has operated without General Fund expenditures while regulating an \$11.2 billion industry that generated \$235,792,111 in traditional tax revenue in 2011¹ and \$25,519,562 in additional revenue² in fiscal year 2011³.

Administrative Section

The Division is headed by a Commissioner of Insurance, currently Scott J. Kipper, who has the responsibility of enforcing the provisions of Title 57 of the Nevada Revised Statutes (NRS 679A – 697). The Commissioner is an unclassified employee and is appointed to serve by the Director of the Department of Business and Industry, who is himself a gubernatorial appointment. Included in the Administrative Section are three Deputy Commissioners, a Public Information Officer, an Insurance Regulation Liaison, an Accounting Assistant, an Administrative Assistant, and two Administrative Aides. The Administrative Section provides direct support to the Commissioner on all matters relating to insurance and ancillary support to all other Sections, such support includes handling media inquiries, fiscal planning, personnel matters and regulatory interpretations. The Administrative Section is located in Carson with the exception of one Deputy Commissioner, who is in Las Vegas.

¹ 2007-2011 average premium tax revenue: \$245,237,250

² This additional revenue is made up of premium tax paid by surplus lines brokers and captive insurers, who pay their taxes to the Division, as well as other license and registration fees, assessments and fines.

³ \$25,279,469 for fiscal year 2012.

Legal and Enforcement Section

The primary duty of the Legal and Enforcement Section is to assist the Commissioner in enforcing the provisions of the Insurance Code (Title 57) through the administrative investigation and adjudication process. This is accomplished by the Division's investigators, attorneys and legal support staff.

The Division's attorneys review the results of company examinations, confidential investigations and other requests for enforcement in order to prosecute violations of the Insurance Code. The attorneys also act as hearing officers for matters such as hearings of contested matters, mergers, administrative regulation workshops and hearings, and informal meetings with troubled self-insured employers. Providing legal advice, review and support to the Commissioner and other Sections of the Division, as well as drafting legal opinions, proposed legislation and regulations are also critical functions of the Division's attorneys.

The Division's investigators are responsible for confidential fact gathering and analysis initiated by requests for enforcement submitted by other Sections of the Division or as a result of complaints. The investigators are responsible for developing credible evidence and are key testifying witnesses for the Division during administrative prosecutions of violations of the Insurance Code.

The Commissioner's Legal and Enforcement staff consists of one Chief Insurance Counsel and two staff Insurance Counsels located in Carson City plus one Chief Investigator and four Compliance Investigators - two located in Carson City and two located in Las Vegas. The attorneys and investigators are supported by one Chief Legal Secretary and three staff Legal Secretaries located in Carson City and one in Las Vegas. The Commissioner is also assigned one Senior Deputy Attorney General and one Deputy Attorney General. The attorneys assigned from the Office of the Attorney General are primarily responsible for addressing legal matters that rise beyond the administrative level to the civil court level, including arguments before the Supreme Court of Nevada. The attorneys assigned from the Office of the Attorney General also draft Attorney General Opinions relevant to the Insurance Code as required.

Property and Casualty Section

The Property and Casualty (P&C) Section's primary duty is to review and approve (or disapprove) rate and form filings from the State's admitted property and casualty insurers. Rate filings are reviewed to ensure they are adequate, not excessive, and not unfairly discriminatory; form filings are reviewed to ensure compliance with Nevada's statutes and regulations, as well as disclosure and marketing standards. Construction liability insurance, homeowners' insurance, medical professional liability (malpractice) insurance, private passenger automobile insurance, fully-insured workers' compensation insurance and title insurance are some of the products that the P&C section reviews. The section is headed by a Section Chief and staffed by four Actuarial

Analysts (one of which also serves as Assistant Chief), two Management Analysts, and an Administrative Assistant in Carson City.

Life and Health Section

The Life and Health Section is responsible for the analysis, review and approval (or disapproval) of rates and forms to ensure compliance with Nevada's statutes and regulations, for a variety of insurance products ranging from health benefit plans to life insurance to annuities. Other specific types of insurance reviewed by the Section include accidental death and dismemberment, credit insurance, prescription drug plans, Medicare supplement plans, disability, dental, long term care, and pre-paid limited Health Service Organizations (lab only, x-ray only, mental health only).

The Section has one Section Chief, six Actuarial Analysts (one of which is a contract employee and one of which also serves as Assistant Chief) and one Administrative Assistant in Carson City.

Consumer Services Section

The Consumer Services Section plays an important role in fulfilling the mission of the Division of Insurance. It is charged with providing Nevada citizens with a mechanism for resolving issues with insurance entities. "Entities" include, but are not limited to, producers, insurance companies, bail agents, title agents, medical discount plans and extended warranties covered by NRS 679A.140.

Within the Section, six Compliance Investigators, one Administrative Assistant, and one Supervisory Compliance Investigator receive and respond to consumer concerns, including formal complaints. Two Compliance Investigators are located in the Carson City office and the remaining staff is based in Las Vegas; all Consumer Services staff members are supervised by a Deputy Commissioner, located in Las Vegas.

Producer Licensing Section

The Producer Licensing Section is responsible for reviewing and ensuring the statutory compliance of approximately 30 different license types. The Licensing Section's primary activity includes the issuance of new and renewed licenses, as well as the general maintenance of licenses. The work of the Producer Licensing Section directly protects Nevada consumers through activities such as background investigations of potential licensees as part of the State licensing requirements. The Licensing Section also assists in the development of education for producers, agents, brokers and other licensees, and the evaluation and approval for producer education classes.

The Producer Licensing Section staff consists of one Program Officer Section Chief, one Assistant Chief, two Compliance Investigators and six Administrative Licensing Technicians in Carson City with one Administrative Licensing Technician and an Administrative Assistant in Las Vegas.

Self-Insured Worker's Compensation Section

The Self-Insured Workers' Compensation Section is tasked with the regulation of employers and groups of employers who choose to "self-insure" the requirement to maintain workers' compensation insurance coverage. These employers are comprised of two groups: self-insured employers (SIEs) and associations of self-insured employers or self-insured groups (SIGs). The Division provides comprehensive regulation of these entities to ensure that self-insured employers and self-insured groups are financially sound, thereby ensuring that adequate funds are available for the payment of claims to injured workers.

The Self-Insured Worker's Compensation section staff consists of a Section Chief, two Management Analysts, and one Administrative Assistant in Carson City.

Corporate and Financial Affairs/Captive Insurer Section

The Commissioner of Insurance has the responsibility to ensure that the insurance companies doing business in Nevada are financially solvent.

Financial regulation seeks to ensure that insurers are able to meet their financial obligations and is accomplished through review of the insurers' admission and licensing documentation, oversight of corporate governance and related transactions with affiliates, analysis of solvency and investments, and the review of reinsurance activity and compliance with statutes and regulations.

The Division's Corporate and Financial Affairs/Captive Insurer Section (C&F) oversees the solvency of the insurance companies through financial reporting and monitoring, desk audits and examinations. The C&F Section ensures that insurers are in compliance with financial statutes and regulations; and monitors the market conduct of regulated entities — especially their transactions with policyholders. The tasks the section is charged with include:

- Processing insurers' admissions and licensing: All insurers offering products and services in Nevada must be authorized by the Commissioner.
- Monitoring corporate governance and related transactions with affiliates: Includes address changes, mergers, acquisitions, annual renewals and other revenue items.
- Monitoring solvency and investments, and reinsurance: Accomplished through financial review and analysis, desk audits and financial examination.

- Monitoring compliance with financial statutes and regulations and market practices: Accomplished through market review and analysis and market conduct examination.

C&F is the largest section of the Division, staffed by a Deputy Commissioner, a Chief Insurance Examiner, an Assistant Chief Insurance Examiner, six Insurance Examiners, seven Management Analysts, one Actuary, Seven Administrative Assistants, and one Accounting Assistant located in Carson City, with a second Actuary in Las Vegas.

Activities of the Division

The Nevada Division of Insurance (Division, DOI) is, first and foremost, a consumer protection agency⁴. Direct action by the Division has resulted in totals of \$8,189,363 recovered for consumers and insurers in 2011, and \$6,335,647 recovered for consumers and insurers in 2012, by all sections within the Division. Even regulatory activities with little or no direct consumer involvement, such as financial solvency examinations of insurers and regulatory actions to promote a stable and competitive marketplace, ultimately benefit consumers. This section of the report details the Division's regulatory activities over the preceding biennium.

Legal and Enforcement Section

During the period between July 1, 2010 and June 30, 2012, the Legal and Enforcement Section opened 2,394 new cases (investigations and other legal administrative processes) and completed 2,357 cases through formal and informal means. Through the biennium there were 57 cases scheduled for administrative hearings, of which 23 progressed to final determination. The Division's hearing caseload was comprised of:

- Licensing violations (unlicensed individuals, failure to report actions, failure to remit payment, etc.) - 61 percent
- Self-insured employers (failure to submit financial statement, failure to maintain adequate net worth, etc.) - 35 percent
- Company issues (failure to comply with previous order, etc.) - 4 percent

Actions undertaken by the Enforcement Section of the Division have resulted in recoveries to consumers and insurers of \$1,434,520 in 2011 and \$2,337,139 in 2012.

The Insurance Code (Title 57 of NRS) provides the Commissioner with the authority to revoke and suspend insurance licenses for both producers and insurers. It also provides him with the authority to levy administrative penalties either in addition to or in lieu of revocation or suspension of a license. Based on this authority, the Division imposed total administrative penalties of \$3,044,239 during the biennium.

The Commissioner has authority to adopt regulations which supplement and clarify the statutes within the Insurance Code. Executive Order 2001-01 placed a freeze on administrative rulemaking (with exceptions) until January 1, 2012 and required all Executive Branch agencies to conduct a comprehensive review of all regulations under their jurisdictions. The Division submitted the results of the review to the Governor in December 2011. Additionally, the DOI completed its 3-year review of its Rules of Practice⁵ and its 10-year review of regulations⁶ in February and March 2012,

⁴ NRS 679A.140

⁵ NRS 233B.050(1)(d)

⁶ NRS 233B.050(1)(e)

respectively. During the biennium the Division conducted 13 public workshops and 13 public hearings to adopt, amend, and repeal administrative regulations.

Formal opinions, advisory letters, memoranda, and bulletins are used by the Commissioner to provide guidance to those regulated by the Insurance Code. During the biennium the Division prepared 290 formal opinions, advisory letters, and memoranda and 23 additional advisory bulletins. In its duty to respond to public records requests and formal subpoenas the Division processed 188 public records requests and 29 subpoenas. The Commissioner also serves as attorney-in-fact for non-domestic companies licensed in Nevada and accepted 1,688 services of process in that capacity over the biennium.

The issue of unpaid life insurance and annuity benefits recently received national attention as a result of examinations of certain insurers conducted by states such as California and Florida. The focus for the examinations is the procedure for timely identification of and settlement with life insurance and annuity beneficiaries and the resultant escheatment of benefits when beneficiaries cannot be identified and located. Allegations have been made that a company might use the Social Security Death Master File (Master File) to determine the date of death of an annuitant to stop annuity payments but would not use the Master File to make distributions of benefits that would be triggered by a death. These examinations have and are continuing to result in multi-state regulatory settlements between those insurers and the various states. DOI has shared information with the lead states, is a participant in the multi-state settlements as they pertain to state departments of insurance, and cannot comment further on any ongoing regulatory action.

Property and Casualty Section

The Property and Casualty (P&C) Section strives to protect consumers through the review of rates, rules, and forms for all personal lines insurance, including personal automobile, homeowners' and personal umbrella insurance, as well as commercial lines of insurance such as medical malpractice and fully-insured workers' compensation. This is accomplished by ensuring that:

- Rates are not excessive, inadequate, or unfairly discriminatory;
- Rates do not have the effect of destroying competition or creating a monopoly;
- The forms provide a clear description of the insurance coverage, and such coverage is not illusory; and
- The form provisions, such as cancellation and non-renewal conditions, comply with Nevada law.

Nevada is a "prior approval" state, a term indicating that insurers' rates must be submitted to the Commissioner and approved prior to use in the marketplace. NRS 686B.110 contains a "deemer" clause which states to the effect that rates submitted by insurers which are not approved or disapproved by the Commissioner within 60 days

are deemed to be approved⁷. The P&C Section currently averages approval or disapproval of insurers' rate filings within about 17.5 days of receipt of a complete filing, well within the deemer clause period and below the national average of about 24 days.

The Division routinely fields phone calls and consumer complaints from Nevada drivers who express their dissatisfaction with their auto insurance premiums. A recent study published by carinsurancequotes.com⁸ and several follow-up stories by the Nevada news media^{9,10} cite Nevada drivers as paying the ninth-highest average automobile insurance premiums in the country; similar findings are occasionally reported by various other organizations and insurance industry trade groups. Statistical data indicates that Nevada insurers are experiencing more claims (claim frequency) and paying more for such claims (claim severity) in recent years. The Division has concluded that Nevada's high cost of auto insurance premiums relative to other states is a result of market conditions in Nevada, such as operator skill and experience, incidence of theft, and severity of injuries sustained in accidents, and not an indication of an uncompetitive market or market manipulation.

Despite the relation of auto insurance premiums in Nevada to those in other states, the Nevada auto insurance market is objectively competitive. The Herfindahl-Hirschman Index (HHI) is a statistical, sum-of-squares measure of market concentration using the market share percentages of all participants in a market; the U.S. Department of Justice considers HHI values below 0.15 to be indicative of a lack of market concentration¹¹, implying a competitive market. In 2011 Nevada's HHI measures were 0.0505 for the automobile insurance marketplace as measured by individual insurance companies and 0.0807 as measured by insurance company groups (Exhibit I).

A summary of Nevada's private passenger automobile insurance marketplace is provided in Exhibit II, which shows the 2011 direct premium written, direct premium earned, and direct losses incurred for the top 25 insurers by volume of direct premium written. For comparison purposes, Exhibit III provides the same market information for 2009. Exhibit IV shows the top five insurance groups offering private passenger automobile insurance in Nevada in 2009 and 2011. Exhibit IV also shows that the pure direct loss ratio for the top five groups in 2011 was 59.67 percent – 2.6 percentage points lower than the ratio for all companies and only a 0.19 percentage point increase from the ratio of 59.48 percent in 2009.

Exhibit V summarizes major rate changes by the top five insurance groups within the past three years. Overall, rate increases were observed to be more prevalent than decreases – largely driven by the rising costs of medical liability coverage. Meanwhile,

⁷ The 60-day statutory period begins when the filing is considered complete, not when the filing is received.

⁸ http://www.carinsurancequotes.com/car_insurance-costs (1/9/2013)

⁹ <http://lasvegas.cbslocal.com/2012/07/31/nevada-among-most-expensive-for-car-insurance/> (1/9/2013)

¹⁰ <http://www.mynews3.com/content/news/story/Nevadans-pay-more-when-it-comes-to-auto-insurance/2wkytgzTSE-HQHfTQEYlg.csp> (1/9/2013)

¹¹ <http://www.justice.gov/atr/public/guidelines/hhi.html> (1/9/2013)

many insurers have filed for lower rates for collision and other-than-collision physical damage coverage because of reduced overall loss costs for those coverages.

The Division considers consumer knowledge to be an important aspect of the regulation of auto insurance in Nevada. In recent months the Division has undertaken several steps to educate the public on some misconceptions regarding insurance coverage and what consumers can do to better protect themselves:

- Uninsured/Underinsured (UM/UIM) Drivers: The persistence of poor economic conditions in Nevada raises a concern that more drivers may be foregoing the purchase of automobile insurance in violation of the law or opting to purchase only the statutorily required minimum liability limits. To enhance consumers' knowledge of how to protect themselves if they are victims of UM/UIM drivers, the Division released a public service announcement in 2012¹².
- The Division recently updated its *Nevada Consumer's Guide to Auto Insurance Rates* to prompt consumers to consider purchasing physical-damage protection for their trailers after it learned that confusion existed about the applicability of physical-damage coverage purchased for a private passenger automobile automatically being extended to hitched and unhitched trailers.
- The Division has been receiving an increasing number of consumer complaints during the last biennium due to one-day lapses in automobile liability insurance coverage. National industry practice extends coverage on a policy to 12:01 a.m. on the day of expiration and not for the entirety of the day of expiration. This causes confusion and may lead to a consumer being uninsured on the day of policy expiration. The Division released a "Producer News Flash" (Exhibit VI) on May 18, 2012 in an effort to make insurance producers aware of the one-day-lapse issue and to be mindful when placing coverage so that a lapse does not occur. On June 26, 2012, in an effort to educate consumers, Commissioner Kipper issued a press released titled *Don't Get Caught with Just One Minute of Insurance Coverage* (Exhibit VII).
- In addition to the publication of a consumer guide and public service announcements, the Division started publishing the insurance policies and mandatory endorsements from the 10 largest auto insurers in Nevada¹³, with the objective of increasing transparency.

Nevada's home insurance market remains very competitive, and homeowners have the ability to shop around and purchase the desired protection at a competitive rate. Exhibit VIII shows values of the HHI for Nevada home insurance, for both companies and groups, during the years 2005 through 2011. For homeowners' insurance companies, the HHI rose marginally from 0.0677 in 2009 to 0.0679 in 2011, well below the Department of Justice threshold of 0.15 and suggestive that the Nevada market remains relatively un-concentrated. The group-based HHI declined from 0.1109 in 2009

¹² http://youtu.be/_IXfhZTuJhk (1/17/2013)

¹³ <http://doi.nv.gov/scs/autoform.aspx> (1/10/2013)

to 0.1047 in 2011. A company-based calculation of the HHI is particularly informative regarding market concentration, as different companies within the same insurance group often offer different insurance programs in terms of coverage options, underwriting guidelines, rating structures, and targeted markets.

A summary of Nevada's homeowners' insurance marketplace is provided in Exhibit IX, which shows the 2011 direct premium written, direct premium earned, and direct losses incurred for the top 25 insurers by volume of direct premium written. For comparison purposes, Exhibit X provides the same market information for 2009. Exhibit XI shows the top five insurance groups offering home insurance in Nevada in 2009 and 2011. The top five insurance groups constituted 62.15 percent of Nevada direct written premium in 2011, compared to 63.33 percent in 2009. With regard to market shares of individual companies, the top 25 insurers wrote 85.92 percent of the premium in 2011, compared to 85.80 percent in 2009 – a constant market share.

Exhibit XII summarizes major rate changes by the top five insurance groups within the past three years. Most of the changes in 2011 and 2012 have been rate increases, with many of those in 2012 considered to be significant – a trend that may continue as the data from recent Nevada wildfires become incorporated in insurers' future rate indications. While the Division continues to approve rate increases that are based on actuarially valid indications and supporting data, the Division's review process in the recent past has emphasized that losses from natural disasters in other states are not incorporated into Nevada rates. Nevada tends to be subject to fewer weather-related catastrophes than many other states; it has no hurricane exposure and a minimal exposure to tornadoes. Division actuaries become concerned when insurers utilize loss-trend assumptions and catastrophe provisions based on severe loss experience in other states, as this may have the effect of redistributing premiums from those states to Nevada. Several major insurers tempered their proposed increases by several percentage points and eliminated ratemaking assumptions that had the effect of allocating non-Nevada catastrophe losses to Nevada.

The P&C Section actively participates in community outreach events primarily targeting Nevada homeowners. In 2011 and 2012, Division staff made presentations at the Nevada Wildland Urban Interface hosted by the University of Nevada Cooperative Extension's "Living With Fire" program; to the Caughlin Ranch community in Washoe County; to the Washoe Drive community at the Pleasant Valley Elementary School in Washoe County; to the Virginia Highlands community hosted by the Fire Safe Highlands in Storey County; and to the residents of Ely, Elko, and Winnemucca. Division staff was also available at the Wildfire Awareness Week events in Carson City and various community events relating to floods and flood insurance.

At these outreach events, section staff invited homeowners who experienced a loss to contact the Property and Casualty Section for assistance with their claims, in response more than 30 homeowners who were affected by the Caughlin Ranch and Washoe Drive fires contacted the Division.

To enhance Nevada consumers' knowledge of various aspects of a homeowners' insurance policy, the Division publishes and maintains the *Nevada Consumer's Guide to Home Insurance*¹⁴. While earthquake is a recognized peril for Nevada homeowners, very few Nevadans actually purchase the protection. To provide further information on the real dangers from earthquake and the protections available to consumers, the Division also publishes and maintains the *Nevada Consumer's Guide to Earthquake Insurance*¹⁵. In addition to the publication of consumer guides, the Division started publishing the insurance policies and mandatory endorsements from the 10 largest home insurers in Nevada¹⁶, with the objective of increasing transparency.

With the downturn in the housing market, the title insurance industry experienced drops in revenue from 2005 to 2008, with the most significant drop in 2008. Since then the market, as measured by revenue, has been relatively stable. The title insurance market in Nevada is relatively concentrated, with two groups, comprised of three companies, holding approximately 75 percent of the market; the remainder is held by nine companies.

Title insurance losses increased substantially in 2009 and 2010 but began to drop off in 2011. The increased losses coupled with declining revenue have resulted in increased loss ratios. Historically, title insurance loss ratios have been between 5 and 10 percent; the loss ratio for all title insurers in Nevada was 15 percent in 2009, 26 percent in 2010, and 23 percent in 2011.

Typically, real estate purchasers will use a title insurer recommended by their real estate agent or lender, but Nevada law prohibits requiring the use of a particular agent or insurer as a condition of the sale or loan. To help buyers in navigating their options, the Division publishes and maintains the *Consumer's Guide to Title Insurance*¹⁷. The *Guide* includes an explanation of title insurance, consumer tips, and a price comparison for \$150,000, \$300,000, and \$500,000 owner's and lender's policies.

Overall, Nevada's privately insured workers' compensation insurance rates have been stable in the short term and decreasing in the long term to reflect the declining costs of insured losses. Commissioner Kipper approved a 1 percent increase in voluntary-market loss costs and a 5.2 percent decrease in assigned-risk rates which became effective March 1, 2012. This follows a 3.9 percent decrease in loss costs and 2.2 percent decrease in assigned-risk rates that were effective March 1, 2011. The overall loss-cost increase for the voluntary market in 2012 was driven by an increase of 1.6 percent in the Medical Fee Schedule issued by the Division of Industrial Relations, effective February 2011. The downward influence on assigned-risk rates is due to the significant expense reductions achieved as a result of Nevada's recent servicing-carrier bid. Nevada's selection of servicing carriers is expected to bring considerable efficiency

¹⁴ <http://doi.nv.gov/scs/doc/HomeInsuranceGuide2011B.pdf> (1/10/2013)

¹⁵ http://doi.nv.gov/scs/doc/EarthquakeInsurance_B.pdf (1/10/2013)

¹⁶ <http://doi.nv.gov/scs/Homeowners.aspx> (1/10/2013)

¹⁷ <http://doi.nv.gov/scs/doc/TitleGuide2011.pdf> (1/10/2013)

at reduced cost to assigned-risk insureds and insurers participating in the assigned-risk market.

Workers' compensation insurers continue to enter the Nevada market. In 2009 there were 200 companies with positive direct written premium, of which 136 underwrote at least \$100,000 of premium. For calendar year 2011, the number of insurers with positive direct written premium increased to 223, of which 151 underwrote at least \$100,000 of premium. The HHI for workers' compensation companies in Nevada in 2011 was 0.0207, compared to 0.0505 for private passenger automobile insurance and 0.0679 for home insurance. The HHI for workers' compensation groups in Nevada in 2011 was 0.0642, compared to 0.0807 for private passenger automobile insurance and 0.1047 for home insurance. This suggests that the workers' compensation market in Nevada is highly un-concentrated and healthy.

In 2008 Nevada experienced a major hepatitis C outbreak resulting from allegedly unhygienic practices at several endoscopy centers in southern Nevada. The outbreak has prompted significant medical malpractice litigation that has taken several years to work its way through the legal system and may continue for several additional years. Despite the recent litigation resulting from the hepatitis cases, the market remains competitive, and the volume of claims related to the hepatitis C outbreak has slowed in 2011 as compared to earlier years. The Division has been monitoring closed claims pertaining to the endoscopy-clinic litigation and, as of December 2012, the Division has not observed any significant constriction in coverages or reduction in affordability due to the litigation in question. Nevada's market for medical professional liability insurance has been stable and competitive during the time period from 2009 through the present.

The number of insurers offering medical professional liability insurance in Nevada is increasing. The insurers' Annual Statements filed with the National Association of Insurance Commissioners (NAIC) show that 69 insurers wrote non-zero premium in Nevada in 2009, compared to 77 in 2010 and 82 in 2011. While the top 25 insurers continue to write more than 90 percent of the premium, their combined share of the market declined marginally from 92.92 percent in 2009 to 92.36 percent in 2011. The company-based HHI for medical professional liability insurance in Nevada was 0.0820 in 2009, 0.0818 in 2010, and 0.0801 in 2011, suggestive of a market that is competitive and is slowly becoming less concentrated.

It is important to note that market concentration in 2013 may be affected by a recently completed merger between the Independent Nevada Doctors Insurance Exchange (IND) and the ProAssurance Group, whereby the ProAssurance Group acquired IND and merged its own Nevada operations with those of IND. The Division anticipates that the HHI of the Nevada market may increase by about 0.03, based on 2011 market-share data. The HHI in that case would be approximately 0.11, still significantly below the U.S. Department of Justice threshold of 0.15.

The federal Nonadmitted and Reinsurance Reform Act of 2010 (NRRA) is one of the most significant legislative developments pertaining to the nonadmitted insurance

market. The NIRA, part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (H.R. 4173) became effective on July 21, 2011. To comply with the NIRA the 76th Nevada Legislature (2011) enacted Senate Bill 289, effective June 13, 2011, which amended and broadened NRS 685A to apply to all nonadmitted insurance. The NIRA authorized multi-state agreements for the purposes of allocating premium tax revenues on nonadmitted insurance policies of multi-state risks among participating members. Nevada was a member of one such multi-state agreement, the Nonadmitted Insurance Multistate Agreement (NIMA), between July 20, 2011 and August 29, 2012. On June 29, 2012, Commissioner Kipper made the decision to withdraw from NIMA based on data that indicated Nevada does not stand to gain significant revenue from multi-state allocation of premium taxes. This decision may be revisited in the future as more states join NIMA and the outlook on Nevada's premium tax projections change.

Producer Licensing Section

As of December 14, 2012 the Producer Licensing Section regulated 117,547 licensees; this includes 17,051 resident and 100,496 non-resident insurance producers licensed to do business in Nevada. With the implementation of the Division's online electronic licensing functionality, the Division is processing 96.98 percent of expanded licensing services electronically. Effective January 1, 2013, the Division will no longer mail paper licenses and renewals. The Division's online services have significantly reduced the amount of paperwork received by the Producer Licensing Section and improving the Division's efficiency.

The Producer Licensing Section also handles the annual appointment renewal invoicing process, which tracks the number of licensed producers appointed by the insurers doing business in this State. The appointment renewal process begins by July 1 of each year; within 60 days of generating the appointment invoices, the Section receives and processes the appointment renewal payments. The annual appointment renewal project generates more than \$4.8 million dollars, which is deposited into the General Fund. Those insurers failing to remit the invoice payment by the required due date are subject to administrative action, which may include additional administrative penalties.

Consumer Services Section

The Division receives and responds to approximately 25,000 incoming contacts per year; these contacts include consumers who visit the Division's offices as well as phone calls and email requests.

Consumer Contacts

Type of Contact (Incoming)	Calendar Year 2010	Calendar Year 2011	Calendar Year 2012
Telephone	22,612	18,129	19,311
Walk-In	2,874	2,109	2,879
Email	3,598	3,514	2,562
TOTALS	29,084	23,752	24,752

A standard definition adopted by the NAIC in June 2006 states: “A complaint is any written communication that expresses dissatisfaction with a specific person or entity subject to regulation under state insurance laws.” It is important to note that the Consumer Services Section does not formally investigate complaints from attorney-represented consumers or complaints relating to federally-regulated insurance (such as flood or crop insurance) or manufacturer warranties.

Formal Complaints

Line of Coverage	2010	2011	2012
Health	424	268	244
Auto	967	766	1,317
Fire	7	10	7
Home	142	143	163
Liability	15	22	41
Life	77	83	86
Miscellaneous	11	6	64
TOTAL COMPLAINTS	1,643	1,298	1,922

Consumers are asked to complete a survey card when their complaint is closed. Responses indicate a satisfaction rate greater than 95 percent for service provided and 80 percent for outcome of the complaint.

Division staff routinely recovers additional amounts paid, refunded, or cleared to Nevada consumers as a result of handling of complaints filed with the Consumer Services Section and pursued by all Sections within the Division.

Recoveries

Calendar Year 2010	Calendar Year 2011	Calendar Year 2012
\$3,433,856	\$6,754,843	\$3,998,508

Life and Health Section

The Life and Health Section, like the Property and Casualty Section, reviews rate, rule, and form filings from Nevada insurers to ensure a stable market for Nevada consumers. Life and health insurance products exhibit a large amount of heterogeneity and, as a result, are not subject to the same rate standards as property and casualty insurance products¹⁸. The insurance products regulated by the Life and Health Section are separately controlled by approximately fifteen different chapters of the Nevada Revised Statutes. Because of the diversity in statutory schema, statistical reporting on life and health insurance products is difficult to contextualize.

It is important to know that several health insurance-type coverages are not regulated by the Nevada Division of insurance, in whole or in part:

- Nevada's Medicaid program is regulated by the Nevada Department of Health and Human Services;
- Medicare is regulated by the federal government, except for Medicare Supplement, or "Medigap" policies, which are regulated by the Division, and Medicare Advantage insurers, which are licensed by the Division and subject to financial solvency regulation but which are regulated in all other regards by the federal government;
- The Division regulates large group¹⁹ policies of health insurance but has no regulatory authority over large group health insurance premiums²⁰; and
- Self-insured employers are regulated under federal law, the Employee Retirement Income Security Act of 1974 (ERISA).

In calendar year 2011, the Life and Health Section received 1,656 rate and form filings: 68 from Health Maintenance Organizations (HMOs), 27 from Fraternal Benefit Societies, 1,559 from life and health insurers, and two from Non-profit Medical Service Organizations. Of this amount, 1,104 were closed with resolution and 843 were approved. In 2012, the rate and form filing activity surged to 2,451 filings and 2,533 were closed, with 1,589 being approved. The Section averaged 48 days per closed filing in 2011 and 55 days per closed filing in 2012^{21 22}.

In its review of health insurance rates, in calendar year 2011, the Division approved a median average rate change of -0.05 percent, with a low of -17.70 percent and a high of 11.12 percent for small group health benefit plans. In calendar year 2011, for individual health benefit plans, the Division approved a median average rate change of

¹⁸ NRS 686B.030

¹⁹ Large group is defined as 50 or more employees, see NRS 689C.095.

²⁰ NRS 689B.060

²¹ The Life and Health Section measures closure time from the date the filing is received, not from the date it is considered complete.

²² The statutory limit of 60 days contained in NRS 686B.110 does not apply to life and health insurance filings.

2.75 percent, with a low of -27.38 and a high of 15 percent.²³ It's important to note that these health insurance rate changes are averages within rate filings, and may not be representative of enrollee experience.

The Life and Health section maintains separate statistics for Medicare Supplement filings. In fiscal year 2011, 458 filings were received with a median rate increase of 6.0 percent, a high increase of 28 percent and a low increase of -25 percent. In 2012 444 Medicare supplement filings were received with a median rate increase of 5.3 percent, a high increase of 30 percent, and a low increase of -13.9 percent. Although Medicare Supplement insurance is sold mainly to senior citizens, insurance companies in some states offer coverage for disabled persons under the age of 65 who qualify for Medicare benefits; at this time no insurance companies in Nevada offer policies for persons under age 65.

Long-term care insurance continues to display a large amount of volatility. Premium rates for long-term care insurance are based upon the insured's age, gender, marital and health statuses. Applicants are underwritten and people with health issues may be denied coverage. With most policies, the premiums are level and payable for life. Some long-term care insurance policies were initially underpriced by insurance carriers nationwide. As a result, over the last several years consumers have seen large premium rate increases. Under new rate stabilization standards enacted by the Division on October 1, 2011, any future rate increase must return at least 85 percent of the increased premium to the consumer in the form of benefits.

Previous and current rate increases for long-term care insurance are primarily driven by medical costs for the services and recent trends in medical inflation. The MetLife Market Survey of Long-Term Care Costs displays the following results of Nevada's marketplace:

	2011 ²⁴	2012 ²⁵
Nursing Home, semi-private room (annual)		
Las Vegas	\$75,555	\$74,460
Remainder of State	\$75,190	\$77,745
National Average	\$78,110	\$81,030

²³ All rate change information and support material for Small Group and Individual Health Benefit plans can be found at <http://rates.doi.nv.gov>.

²⁴ <https://www.metlife.com/assets/cao/mmi/publications/studies/2011/mmi-market-survey-nursing-home-assisted-living-adult-day-services-costs.pdf> (1/14/2013)

²⁵ <https://www.metlife.com/assets/cao/mmi/publications/studies/2012/studies/mmi-2012-market-survey-long-term-care-costs.pdf> (1/14/2013)

	2011	2012
Nursing Home, private room (annual)		
Las Vegas	\$78,475	\$78,840
Remainder of State	\$90,520	\$94,900
National Average	\$87,235	\$90,520
Assisted Living Community (annual)		
Las Vegas	\$36,552	\$37,308
Remainder of State	\$39,972	\$35,688
National Average	\$41,724	\$40,200
Home Health Aides (hourly)		
Las Vegas	\$21	\$21
Remainder of State	\$24	\$23
National Average	\$21	\$21
Adult Day Services (daily)		
Las Vegas	\$60	\$64
Remainder of State	\$78	\$84
National Average	\$70	\$70

Implementation of the Patient Protection and Affordable Care Act of 2010 and the Education Reconciliation Act of 2010, collectively the “ACA”, continues to require a large amount of the Life and Health Section’s time and resources. The Division received federal grants totaling \$4.9 million to streamline and improve health insurance rate review processes, ensuring the sufficiency and nondiscriminatory nature of health insurance rate increases. In 2011 the Medical Loss Ratio, or MLR, provisions of the ACA became effective. MLR requires insurers to hit a certain percentage, typically 80 percent, of applicable premiums in claims benefits payments or refund the excess to policyholders²⁶. The MLR provision of the ACA resulted in \$4,548,500 being returned to 46,590 policyholders, an average of \$180 per policyholder²⁷. Put in context, health

²⁶ In 2011, Nevada requested a one year waiver to set the MLR threshold at 72 percent; the waiver was granted by the federal government at 75 percent.

²⁷ [The 80/20 Rule: Providing Value and Rebates to Millions of Consumers | HealthCare.gov](#) (1/14/2013)

insurance plans subject to MLR collected approximately \$1.6 billion in premium on 460,000 covered lives in 2011²⁸, a payback rate of approximately 0.3 percent of premium collected.

The Division hosted a series of town hall-style information gathering sessions in 2012, aimed at soliciting feedback on the package of Essential Health Benefits that most Nevada health insurers would be required to offer beginning January 1, 2014. These meetings were incredibly productive in generating feedback and public comment and ultimately led to Nevada selecting the Health Plan of Nevada Point of Service Plan²⁹, the largest small-group health insurance plan, by enrollment, as the benchmark insurance plan to set the package of Essential Health Benefits. The Life and Health Section has also been actively reviewing administrative rules and regulations promulgated by the federal government, to ensure that they do not contradict or otherwise impinge upon Nevada's statutes and create an untenable regulatory environment. Senate Bill 440 (2011) created the Silver State Health Insurance Exchange (SSHIX), and Division staff has assisted the SSHIX throughout the biennium in laying their groundwork for the open enrollment date of October 1, 2013 and the go-live date of January 1, 2014.

Corporate and Financial Affairs/Captive Insurer Section

There are approximately 2,100 traditional insurers and 133 captive insurers licensed to conduct business in Nevada. Under Nevada law each insurer so licensed must be examined for financial solvency (financial examination) no less frequently than every five years³⁰ and insurers may be examined for compliance with Nevada law (market conduct examination) on demand. While all insurers, both foreign and domestic, are subject to regular financial examinations, the Commissioner is authorized to accept the results of an examination performed by another state. The result is a system of reciprocity in which each state is primarily responsible for examining its domestic insurance industry and may coordinate as a secondary examiner on foreign insurers. For the 2011 and 2012 calendar years, the Division participated on 46 financial examinations and 32 market conduct examinations of domestic and foreign insurers. During that same time period, 84 regulatory examinations of "non-traditional" insurers, businesses regulated under the Insurance Code but which are not traditionally thought of as insurers, such as title insurance and funeral home services, were opened.

Unlike many other industries, which register primarily through the Nevada Secretary of State in order to conduct business, insurers are required to register with and be examined by the Division before a license is issued allowing that insurer to operate in Nevada. An entity which registers with the Secretary of State but does not possess a license issued by the Division and conducts the business of operating as an insurer is in

²⁸ Source: National Association of Insurance Commissioners

²⁹ Visit <http://doi.nv.gov/ehb.aspx> for plan details

³⁰ NRS 679B.230

violation of Nevada law and may be subject to administrative, civil, or criminal action. During the 2011 calendar year the Division licensed 48 new traditional insurers and an additional 86 traditional insurers were licensed in 2012.

Nevada continues to be an attractive domiciliary state for captive insurers, a form of self-insurance. The Division issued licenses to nine new captive insurers in 2011 and 20 new captive insurers in 2012, bringing the total number of captive insurers licensed to 133, sixth most in the nation. Unlike traditional insurers, who pay their premium taxes to the Department of Taxation, captive insurers report their premiums and pay premium taxes directly to the Division of Insurance. Recent and historical premiums and premium tax levels are as follows:

Nevada Captive Insurer Program

YEAR	TOTAL PREMIUMS	PREMIUM TAX PAID
2007	\$176,427,403	\$724,498
2008	\$165,795,711	\$782,943
2009	\$164,401,531	\$782,033
2010	\$271,605,578	\$1,028,394
2011	\$194,494,931	\$848,471

On March 12, 2010 the Governor signed Assembly Bill 6 (2010), passed by the 26th Special Session of the Nevada Legislature. AB 6 required the Division of Insurance to establish a desk program to audit the premium tax returns of insurers, owing to the perception that insurance premium taxes may have been materially underreported and underpaid. Two auditors were hired beginning in July 2010, data calls were sent to approximately 760 insurers by December 2010, and the first desk audit was completed in July 2011. Since then, 181 desk audits have been completed by the Division and transmitted to insurers for review, of which 123 have been accepted by insurers and transmitted to the Department of Taxation.

The Division is a member of the National Association of Insurance Commissioners (NAIC). The NAIC accredits members for the adequacy of their financial regulatory processes and is an important facet of the reciprocity in examinations discussed previously. The Nevada Division of Insurance currently enjoys full accreditation status from the NAIC, a status earned in 2011. The Division will be subject to an accreditation renewal in 2016.

Appendix

EXHIBIT I

**State of Nevada
Private Passenger Automobile (PPA) Insurance
Values of the Herfindahl-Hirschman Index (HHI)
2005-2011**

Year	PPA HHI	
	<u>Companies</u>	<u>Groups</u>
2005	0.0503	0.0815
2006	0.0494	0.0785
2007	0.0468	0.0765
2008	0.0433	0.0731
2009	0.0433	0.0751
2010	0.0439	0.0762
2011	0.0505	0.0807

Source: NAIC I-SITE – Market-Share and Loss-Ratio Summary Reports by Group and Company, Calendar Years 2005-2011

EXHIBIT II
Private Passenger Automobile Insurance by Premium
Top 25 Insurers – 2011 (Monetary figures are in thousands of dollars.)

R A N K	NAIC Group Code	NAIC Company Code	Company Name	State of Domicile	Direct Premium Written	Direct Premium Earned	Direct Loss Incurred	Pure Direct Loss Ratio	Market Share
1	176	25178	State Farm Mutual Automobile Insurance Company	IL	\$227,100	\$224,909	\$143,116	63.63%	14.10%
2	212	21687	Mid-Century Insurance Company	CA	\$165,616	\$141,813	\$83,947	59.20%	10.28%
3	1278	37770	Western United Insurance Company	IN	\$103,898	\$106,275	\$59,799	56.27%	6.45%
4	8	29688	Allstate Fire and Casualty Insurance Company	IL	\$99,391	\$97,608	\$58,747	60.19%	6.17%
5	155	38628	Progressive Northern Insurance Company	WI	\$73,093	\$68,873	\$42,063	61.07%	4.54%
6	155	16322	Progressive Direct Insurance Company	OH	\$70,327	\$69,668	\$41,236	59.19%	4.37%
7	473	19275	American Family Mutual Insurance Company	WI	\$65,211	\$69,261	\$61,586	88.92%	4.05%
8	31	35882	GEICO General Insurance Company	MD	\$51,981	\$51,704	\$28,327	54.79%	3.23%
9	200	25941	USAA (United Services Automobile Association)	TX	\$45,956	\$45,831	\$28,450	62.08%	2.85%
10	111	23035	Liberty Mutual Fire Insurance Company	WI	\$39,348	\$42,924	\$24,956	58.14%	2.44%
11	31	22055	GEICO Indemnity Company	MD	\$34,638	\$35,745	\$18,272	51.12%	2.15%
12	8	19232	Allstate Insurance Company	IL	\$34,443	\$35,964	\$16,237	45.15%	2.14%
13	176	25143	State Farm Fire and Casualty Company	IL	\$31,997	\$31,910	\$23,617	74.01%	1.99%
14	200	25968	USAA Casualty Insurance Company	TX	\$29,469	\$29,466	\$19,882	67.48%	1.83%
15	91	37478	Hartford Insurance Company of the Midwest	IN	\$27,923	\$29,215	\$18,987	64.99%	1.73%
16	31	22063	Government Employees Insurance Company	MD	\$21,747	\$21,817	\$13,520	61.97%	1.35%
17	3495	11738	Infinity Auto Insurance Company	OH	\$20,150	\$20,352	\$11,800	57.98%	1.25%
18	169	13137	Viking Insurance Company of Wisconsin	WI	\$19,587	\$19,125	\$11,627	60.79%	1.22%
19	3548	27998	Travelers Home and Marine Insurance Company	CT	\$18,433	\$17,661	\$13,121	74.29%	1.14%
20	8	17230	Allstate Property and Casualty Insurance Company	IL	\$18,228	\$19,394	\$8,740	45.06%	1.13%
21	408	28401	American National Property and Casualty Company	MO	\$16,287	\$17,514	\$11,513	65.74%	1.01%
22		12223	Santa Fe Auto Insurance Company	TX	\$15,426	\$17,089	\$15,590	91.22%	0.96%
23		10730	American Access Casualty Company	IL	\$14,749	\$14,402	\$6,771	47.01%	0.92%
24	50	21008	COUNTRY Preferred Insurance Company	IL	\$13,539	\$13,773	\$8,634	62.68%	0.84%
25	91	34690	Property and Casualty Insurance Company of Hartford	IN	\$12,565	\$13,485	\$7,740	57.40%	0.78%
Totals for Top 25 Companies					1,271,103	1,255,778	778,276	61.98%	78.92%
Totals for All 213 Companies (152 Active Companies)					1,610,563	1,616,441	1,006,544	62.27%	100.00%

Source: NAIC I-SITE – Market Share and Loss Ratio Summary Report, Calendar Year 2011

EXHIBIT III
Private Passenger Automobile Insurance by Premium
Top 25 Insurers – 2009
(Monetary figures are in thousands of dollars.)

RANK	NAIC Group Code	NAIC Company Code	Company Name	State of Domicile	Direct Premium Written	Direct Premium Earned	Direct Loss Incurred	Pure Direct Loss Ratio	Market Share
1	176	25178	State Farm Mutual Automobile Insurance Company	IL	\$205,541	\$203,780	\$135,396	66.44%	12.41%
2	212	21652	Farmers Insurance Exchange	CA	\$138,505	\$142,921	\$74,994	52.47%	8.36%
3	1278	37770	Western United Insurance Company	IN	\$114,413	\$115,797	\$71,646	61.87%	6.91%
4	473	19275	American Family Mutual Insurance Company	WI	\$104,811	\$112,811	\$73,825	65.44%	6.33%
5	8	29688	Allstate Fire and Casualty Insurance Company	IL	\$84,655	\$81,637	\$48,145	58.97%	5.11%
6	155	16322	Progressive Direct Insurance Company	OH	\$62,782	\$61,594	\$30,984	50.30%	3.79%
7	8	19232	Allstate Insurance Company	IL	\$48,855	\$51,012	\$31,508	61.77%	2.95%
8	200	25941	USAA (United Services Automobile Association)	TX	\$44,664	\$44,687	\$25,686	57.48%	2.70%
9	111	23035	Liberty Mutual Fire Insurance Company	WI	\$44,618	\$44,433	\$22,682	51.05%	2.69%
10	31	35882	GEICO General Insurance Company	MD	\$43,088	\$42,832	\$25,697	59.99%	2.60%
11	155	38628	Progressive Northern Insurance Company	WI	\$43,004	\$39,851	\$21,576	54.14%	2.60%
12	31	22055	GEICO Indemnity Company	MD	\$37,398	\$37,773	\$21,339	56.49%	2.26%
13	212	21687	Mid-Century Insurance Company	CA	\$32,742	\$35,944	\$20,111	55.95%	1.98%
14	8	17230	Allstate Property and Casualty Insurance Company	IL	\$32,690	\$34,757	\$20,459	58.86%	1.97%
15	91	37478	Hartford Insurance Company of the Midwest	IN	\$31,703	\$30,726	\$18,302	59.57%	1.91%
16	176	25143	State Farm Fire and Casualty Company	IL	\$31,248	\$30,988	\$23,012	74.26%	1.89%
17	200	25968	USAA Casualty Insurance Company	TX	\$29,813	\$30,012	\$19,796	65.96%	1.80%
18	3495	11738	Infinity Auto Insurance Company	OH	\$22,781	\$24,601	\$13,937	56.65%	1.38%
19	31	22063	Government Employees Insurance Company	MD	\$20,707	\$20,635	\$12,567	60.90%	1.25%
20		10730	American Access Casualty Company	IL	\$17,709	\$17,359	\$11,218	64.62%	1.07%
21	408	28401	American National Property and Casualty Company	MO	\$17,528	\$17,377	\$16,107	92.69%	1.06%
22	91	34690	Property and Casualty Insurance Company of Hartford	IN	\$16,230	\$17,181	\$11,383	66.25%	0.98%
23	212	25089	Coast National Insurance Company	CA	\$16,083	\$15,286	\$7,739	50.63%	0.97%
24	91	11000	Sentinel Insurance Company, Ltd.	CT	\$15,738	\$14,828	\$10,865	73.27%	0.95%
25	169	13137	Viking Insurance Company of Wisconsin	WI	\$15,072	\$13,893	\$7,025	50.57%	0.91%
Totals for Top 25 Companies					1,272,378	1,282,715	775,999	60.50%	76.80%
Totals for All 198 Companies (151 Active Companies)					1,656,780	1,676,243	1,015,103	60.56%	100.00%

Source: NAIC I-SITE – Market Share and Loss Ratio Summary Report, Calendar Year 2009

EXHIBIT IV
Private Passenger Automobile Insurance by Premium
Top 5 Insurance Groups by Market Share in 2009 and 2011
(Monetary figures are in thousands of dollars.)

2011 – Top 5 Groups

R A N K	NAIC Group Code	Group Name	Direct Premium Written	Direct Premium Earned	Direct Loss Incurred	Pure Direct Loss Ratio	Market Share
1	176	State Farm Group	\$259,098	\$256,819	\$166,734	64.92%	16.09%
2	212	Zurich Insurance Group	\$192,563	\$193,011	\$115,553	59.87%	11.96%
3	8	Allstate Insurance Group	\$174,649	\$176,270	\$98,589	55.93%	10.84%
4	155	Progressive Group	\$156,656	\$152,745	\$88,106	57.68%	9.73%
5	31	Berkshire Hathaway Group	\$117,050	\$114,350	\$63,964	55.94%	7.27%
Totals for Top 5 Groups			900,016	893,196	532,945	59.67%	55.88%
Totals for All Groups (74 Active Groups)			1,610,563	1,616,441	1,006,544	62.27%	100.00%

Source: NAIC I-SITE – Market Share and Loss Ratio Summary Report, Calendar Year 2011

2009 – Top 5 Groups

R A N K	NAIC Group Code	Group Name	Direct Premium Written	Direct Premium Earned	Direct Loss Incurred	Pure Direct Loss Ratio	Market Share
1	176	State Farm Group	\$236,789	\$234,768	\$158,408	67.47%	14.29%
2	212	Zurich Insurance Group	\$205,934	\$211,236	\$113,135	53.56%	12.43%
3	8	Allstate Insurance Group	\$181,827	\$183,919	\$111,196	60.46%	10.97%
4	155	Progressive Group	\$126,597	\$123,902	\$62,502	50.44%	7.64%
5	1278	California State Auto Group	\$114,413	\$115,797	\$72,019	62.19%	6.91%
Totals for Top 5 Groups			865,560	869,622	517,260	59.48%	52.24%
Totals for All Groups (68 Active Groups)			1,656,780	1,676,243	1,015,103	60.56%	100.00%

Source: NAIC I-SITE – Market Share and Loss Ratio Summary Report, Calendar Year 2009

EXHIBIT V

3-Year Private Passenger Automobile (PPA) Insurance Rate-Change History

Source: Personal-Lines Rate-Filing Database of the Nevada Division of Insurance

State Farm Group

Company	Effective Date	Overall Rate Change ³¹
State Farm Mutual Automobile Insurance Company	01/18/2010	+2.50%
State Farm Mutual Automobile Insurance Company	01/01/2011	0.00%
State Farm Fire and Casualty Company	01/01/2011	0.00%
State Farm Mutual Automobile Insurance Company	01/01/2012	0.00%
State Farm Fire and Casualty Company	01/01/2012	0.00%

Zurich Insurance Group

Company	Effective Date	Overall Rate Change
Farmers Insurance Exchange ³²	02/15/2010	-3.00%
Mid-Century Insurance Company	12/05/2011	+2.90%
Mid-Century Insurance Company	06/25/2012	+10.10%

Allstate Insurance Group

Company	Effective Date	Overall Rate Change
Allstate Fire and Casualty Insurance Company	04/05/2010	0.00%
Allstate Fire and Casualty Insurance Company	05/03/2010	-0.70%
Allstate Fire and Casualty Insurance Company	07/05/2010	-1.30%
Allstate Fire and Casualty Insurance Company	03/21/2011	-5.00% ³³
Allstate Fire and Casualty Insurance Company	12/05/2011	0.00%
Allstate Fire and Casualty Insurance Company	06/11/2012	+3.00%

Progressive Group

Company	Effective Date	Overall Rate Change
Progressive Northern Insurance Company	02/04/2010	-3.30%
Progressive Direct Insurance Company	02/25/2010	-3.00%
Progressive Northern Insurance Company	09/03/2010	0.00%
Progressive Direct Insurance Company	11/26/2010	0.00%
Progressive Northern Insurance Company	06/24/2011	-3.40%
Progressive Direct Insurance Company	06/24/2011	-2.60%
Progressive Northern Insurance Company	03/23/2012	+3.10%
Progressive Direct Insurance Company	03/23/2012	-1.00%
Progressive Northern Insurance Company	07/06/2012	+2.95%

³¹ Overall rate change reflects statewide average impact. Some consumers may experience a rate increase, some may experience a rate decrease, and some may not experience any change.

³² As of 2010, the Zurich Insurance Group has written its new Private Passenger Automobile business in Mid-Century Insurance Company, and the Farmers Insurance Exchange book of business is renewal-only.

³³ This filing was withdrawn by the company and therefore has no effect.

Exhibit VI

BRIAN SANDOVAL
Governor

STATE OF NEVADA

TERRY JOHNSON
Director

SCOTT J. KIPPER
Commissioner



DEPARTMENT OF BUSINESS AND INDUSTRY
DIVISION OF INSURANCE
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Carson City, Nevada 89706
(775) 687-0700 • Fax (775) 687-0787
Website: doi.nv.gov
E-mail: insinfo@doi.state.nv.us

PRODUCER NEWS FLASH Auto Liability Insurance Policies - One Day Lapse May 18, 2012

Nevada LIVE, Nevada's liability insurance verification system, is identifying numerous cases of a one-day lapse in coverage because of an incorrect inception or cancellation date of the policy. Auto liability insurance policies terminate at 12:01 am on the expiration date listed on the evidence of insurance cards. This means your customers only have one minute of coverage on the expiration date and not for the entire day.

The below scenarios are true cases that have resulted in a lapse of insurance coverage causing unsuspecting consumers to become uninsured drivers on the date of policy expiration.

Scenario	Result
A replacement policy is issued by a new company and the customer cancels the old policy to be effective the same date.	Customer may be uninsured <u>IF</u> the old policy is cancelled at 12:01am of that date and the new policy goes into effect at 12:01am the next date.
A replacement policy is issued on the day of expiration of the old policy.	Customer is uninsured and now has a lapse in coverage as the old policy already expired at 12:01am.
A renewal payment is made <u>on</u> the policy expiration date.	Customer is uninsured and now has a lapse in coverage as the policy already expired at 12:01am.

It is critical to remember that insurance coverage does not exist through the expiration date listed on the Evidence of Insurance card. Coverage exists only to the expiration date and ends one minute into the expiration date.

When issuing new or replacement policies or accepting payments on existing policies:

- Check the policy inception and expiration dates. Remember, insurance policies begin and end at 12:01 a.m. on both of these dates.
- Watch for the possibility of a lapse.
- If you identify a potential lapse, alert your insureds and discuss consequences of even a one-day lapse (financial personal liability for injury to another caused by your insured and/or DMV fine of \$250).
- Discuss options available to avoid a lapse.

Exhibit 1

Exhibit VII

Scott J. Kipper, Insurance Commissioner

Contact: Jake Sunderland, Public Information Officer

Phone: (775) 687-0772

E-mail: jsunderland@doi.nv.gov

FOR IMMEDIATE RELEASE – June 26, 2012

Don't Get Caught with Just One Minute of Insurance Coverage

CARSON CITY – Did you know that you do not have insurance on the expiration date of your auto insurance?

This is because your auto insurance policy expires at 12:01 a.m.. This means that you only have one minute of coverage on the expiration date listed on your insurance ID card.

The Nevada Division of Insurance wants to remind you that if you plan on changing insurance companies, don't wait until the last day to shop around and find new coverage. If you are renewing your current insurance and need to pay manually by cash or check, make sure you do so before the expiration date. This will help you avoid an interruption in your insurance coverage.

It's also important to tell your new insurance company or agent exactly when your policy expires. This will help them begin your coverage at the correct time and day.

About the Nevada Division of Insurance

The Nevada Division of Insurance is the state agency that protects the rights of Nevada consumers and regulates Nevada's \$11.6 billion insurance industry. In 2011, the Division investigated nearly 2,000 consumer complaints and recovered a record \$6.7 million on behalf of consumers. For more information about the Division of Insurance, visit DOI.NV.GOV.

###

EXHIBIT VIII

**State of Nevada - Home Insurance
Values of the Herfindahl-Hirschman Index (HHI)
2005-2011**

Year	Home HHI	
	<u>Companies</u>	<u>Groups</u>
2005	0.0926	0.1226
2006	0.0858	0.1165
2007	0.0744	0.1112
2008	0.0684	0.1103
2009	0.0677	0.1109
2010	0.0668	0.1060
2011	0.0679	0.1047

Source: NAIC I-SITE – Market-Share and Loss-Ratio Summary Reports by Group and Company, Calendar Years 2005-2011

EXHIBIT IX
Homeowners' Insurance by Premium – Top 25 Insurers – 2011
(Monetary figures are in thousands of dollars.)

RANK	NAIC Group Code	NAIC Company Code	Company Name	State of Domicile	Direct Premium Written	Direct Premium Earned	Direct Loss Incurred	Pure Direct Loss Ratio	Market Share
1	176	25143	State Farm Fire and Casualty Company	IL	\$92,867	\$92,023	\$44,410	48.26%	20.07%
2	212	21660	Fire Insurance Exchange	CA	\$38,461	\$41,610	\$17,350	41.70%	8.31%
3	1278	10921	ACA Insurance Company	IN	\$28,452	\$28,319	\$16,789	59.28%	6.15%
4	212	21652	Farmers Insurance Exchange	CA	\$28,402	\$27,420	\$13,420	48.94%	6.14%
5	8	17230	Allstate Property & Casualty Insurance Company	IL	\$24,660	\$23,804	\$12,833	53.91%	5.33%
6	473	19275	American Family Mutual Insurance Company	WI	\$18,712	\$19,683	\$12,135	61.65%	4.04%
7	8	19240	Allstate Indemnity Company	IL	\$16,318	\$17,372	\$7,255	41.76%	3.53%
8	8	19232	Allstate Insurance Company	IL	\$14,931	\$15,982	\$7,877	49.29%	3.23%
9	200	25941	USAA (United Services Automobile Association)	TX	\$14,300	\$13,646	\$8,031	58.85%	3.09%
10	212	27998	Travelers Home & Marine Insurance Company	CT	\$13,853	\$12,935	\$4,077	31.52%	2.99%
11	91	34690	Property and Casualty Insurance Company of Hartford	IN	\$13,319	\$13,823	\$6,481	46.88%	2.88%
12	50	20990	Country Mutual Insurance Company	IL	\$10,547	\$10,738	\$5,594	52.09%	2.28%
13	200	11185	Foremost Insurance Company of Grand Rapids, MI	MI	\$9,735	\$9,536	\$4,577	47.99%	2.10%
14	111	23035	Liberty Mutual Fire Insurance Company	WI	\$9,319	\$9,969	\$3,292	33.02%	2.01%
15	38	25968	USAA Casualty Insurance Company	TX	\$8,153	\$8,081	\$3,776	46.73%	1.76%
16	3548	26905	Century National Insurance Company	CA	\$7,367	\$8,040	\$3,463	43.07%	1.59%
17	408	20397	Vigilant Insurance Company	NY	\$6,857	\$7,118	\$9,593	134.76%	1.48%
18	501	20419	Homesite Indemnity Company	KS	\$5,851	\$5,141	\$1,866	36.28%	1.26%
19	212	28401	American National Property and Casualty Company	MO	\$5,743	\$5,876	\$4,437	75.51%	1.24%
20	111	42404	Liberty Insurance Corporation	IL	\$5,718	\$4,542	\$1,174	25.86%	1.24%
21	71	10759	Universal North America Insurance Company	TX	\$5,395	\$4,515	\$3,652	80.88%	1.17%
22	111	24740	Safeco Insurance Company of America	WA	\$5,022	\$4,828	\$1,271	26.32%	1.09%
23	91	13625	Western Mutual Insurance Company	CA	\$4,897	\$4,511	\$2,827	62.68%	1.06%
24	800	26298	Metropolitan Property & Casualty Insurance Company	RI	\$4,725	\$4,724	\$2,498	52.89%	1.02%
25	3548	21326	Empire Fire and Marine Insurance Company	NE	\$4,019	\$4,337	-\$245	-5.66%	0.87%
Totals for Top 25 Companies					397,622	398,577	198,431	49.78%	85.92%
Totals for All Companies (117 Active Companies)					462,760	465,746	230,570	49.51%	100.00%

Source: NAIC I-SITE – Market-Share and Loss-Ratio Summary Report, Calendar Year 2011

EXHIBIT X
Homeowners' Insurance by Premium – Top 25 Insurers – 2009
(Monetary figures are in thousands of dollars.)

RANK	NAIC Group Code	NAIC Company Code	Company Name	State of Domicile	Direct Premium Written	Direct Premium Earned	Direct Loss Incurred	Pure Direct Loss Ratio	Market Share
1	176	25143	State Farm Fire and Casualty Company	IL	\$89,700	\$86,645	\$33,360	38.50%	18.93%
2	212	21660	Fire Insurance Exchange	CA	\$53,005	\$57,709	\$16,548	28.67%	11.19%
3	1278	10921	ACA Insurance Company	IN	\$27,255	\$26,073	\$16,811	64.48%	5.75%
4	212	21652	Farmers Insurance Exchange	CA	\$23,869	\$20,874	\$9,213	44.14%	5.04%
5	473	19275	American Family Mutual Insurance Company	WI	\$22,438	\$23,258	\$11,553	49.67%	4.74%
6	8	19240	Allstate Indemnity Company	IL	\$21,247	\$22,434	\$6,877	30.65%	4.48%
7	8	17230	Allstate Property & Casualty Insurance Company	IL	\$20,530	\$18,324	\$6,847	37.37%	4.33%
8	8	19232	Allstate Insurance Company	IL	\$19,261	\$20,288	\$5,700	28.10%	4.07%
9	91	34690	Property and Casualty Insurance Company of Hartford	IN	\$14,414	\$13,851	\$4,451	32.14%	3.04%
10	111	23035	Liberty Mutual Fire Insurance Company	WI	\$12,281	\$12,920	\$4,593	35.55%	2.59%
11	200	25941	USAA (United Services Automobile Association)	TX	\$11,487	\$10,837	\$4,776	44.07%	2.42%
12	50	20990	Country Mutual Insurance Company	IL	\$10,773	\$10,698	\$4,234	39.58%	2.27%
13	3548	26905	Century National Insurance Company	CA	\$10,159	\$11,137	\$3,067	27.54%	2.14%
14	212	27998	Travelers Home & Marine Insurance Company	CT	\$9,505	\$8,015	\$1,947	24.29%	2.01%
15	200	11185	Foremost Insurance Company of Grand Rapids, MI	MI	\$8,759	\$8,714	\$4,186	48.04%	1.85%
16	38	25968	USAA Casualty Insurance Company	TX	\$7,870	\$7,681	\$1,751	22.79%	1.66%
17	408	20397	Vigilant Insurance Company	NY	\$7,553	\$7,743	\$530	6.85%	1.59%
18	212	28401	American National Property and Casualty Company	MO	\$5,450	\$5,426	\$2,563	47.24%	1.15%
19	3548	21326	Empire Fire and Marine Insurance Company	NE	\$5,219	\$5,127	-\$138	-2.69%	1.10%
20	111	19062	Automobile Insurance Company of Hartford, CT	CT	\$5,001	\$5,592	\$1,411	25.23%	1.06%
21	241	24740	Safeco Insurance Company of America	WA	\$4,699	\$4,736	\$2,648	55.91%	0.99%
22	800	26298	Metropolitan Property & Casualty Insurance Company	RI	\$4,522	\$4,323	\$570	13.19%	0.95%
23	91	13625	Western Mutual Insurance Company	CA	\$4,421	\$4,489	\$1,680	37.43%	0.93%
24	91	30104	Hartford Underwriters Insurance Company	CT	\$3,652	\$3,754	\$1,890	50.34%	0.77%
25	501	11000	Sentinel Insurance Company, Ltd.	CT	\$3,461	\$3,197	-\$442	-13.82%	0.73%
Totals for Top 25 Companies					406,531	403,845	146,627	36.31%	85.80%
Totals for All Companies (110 Active Companies)					473,816	469,822	174,456	37.13%	100.00%

Source: NAIC I-SITE – Market-Share and Loss-Ratio Summary Report, Calendar Year 2009

EXHIBIT XI

Homeowners' Insurance by Premium Top 5 Insurance Groups by Market Share in 2009 and 2011 (Monetary figures are in thousands of dollars.)

2011 – Top 5 Groups

R A N K	NAIC Group Code	Group Name	Direct Premium Written	Direct Premium Earned	Direct Loss Incurred	Pure Direct Loss Ratio	Market Share
1	176	State Farm Group	\$92,867	\$92,023	\$44,410	48.26%	20.07%
2	212	Zurich Insurance Group	\$82,681	\$85,488	\$35,509	41.54%	17.87%
3	8	Allstate Insurance Group	\$58,676	\$59,953	\$29,166	48.65%	12.68%
4	1278	California State Auto Group	\$28,452	\$28,319	\$16,596	58.60%	6.15%
5	200	United Services Automobile Association (USAA) Group	\$24,951	\$23,949	\$12,441	51.95%	5.39%
Totals for Top 5 Groups			287,626	289,733	138,120	47.67%	62.15%
Totals for All Groups (58 Active Groups)			462,760	465,746	230,570	49.51%	100.00%

Source: NAIC I-SITE – Market-Share and Loss-Ratio Summary Report, Calendar Year 2011

2009 – Top 5 Groups

R A N K	NAIC Group Code	Group Name	Direct Premium Written	Direct Premium Earned	Direct Loss Incurred	Pure Direct Loss Ratio	Market Share
1	212	Zurich Insurance Group	\$96,116	\$98,663	\$32,259	32.70%	20.29%
2	176	State Farm Group	\$89,700	\$86,645	\$33,360	38.50%	18.93%
3	8	Allstate Insurance Group	\$64,189	\$64,461	\$20,367	31.60%	13.55%
4	1278	California State Auto Group	\$27,255	\$26,073	\$16,592	63.64%	5.75%
5	91	Hartford Fire and Casualty Group	\$22,824	\$22,198	\$6,066	27.33%	4.82%
Totals for Top 5 Groups			300,083	298,040	108,644	37.59%	63.33%
Totals for All Groups (56 Active Groups)			473,816	469,822	174,456	37.13%	100.00%

Source: NAIC I-SITE – Market-Share and Loss-Ratio Summary Report, Calendar Year 2009

Exhibit XII

3-Year Homeowners' Insurance Rate-Change History

State Farm Group

Company	Effective Date	Overall Rate Change
State Farm Fire and Casualty Company	4/15/2010	-1.00%
State Farm Fire and Casualty Company	5/1/2011	0.00%
State Farm Fire and Casualty Company	11/1/2012	0.00%

Zurich Insurance Group

No major rate changes during the past three years.

Allstate Insurance Group

Company	Effective Date	Overall Rate Change
Allstate Property & Casualty Insurance Company	6/11/2012	+5.00%
Allstate Indemnity Company	7/26/2012	+5.40%

California State Auto Group

Company	Effective Date	Overall Rate Change
ACA Insurance Company	2/15/2010	+6.00%
ACA Insurance Company	5/1/2011	+2.75%
ACA Insurance Company	5/10/2012	+8.14%

United Services Automobile Association (USAA) Group

Company	Effective Date	Overall Rate Change
United Services Automobile Association	11/16/2011	+14.20%

Source: Personal-Lines Rate-Filing Database of the Nevada Division of Insurance

Glossary

ACT OF GOD – An unpreventable accident or event that is the result of natural causes; for example, floods, earthquakes, or lightning.

ADVERSE SELECTION – The tendency of individuals who believe they have a greater than average likelihood of loss to seek insurance protection to a greater extent than do those who believe they have an average or a less than average likelihood of loss.

ANNUITY – A contract sold by insurance companies that pays a monthly (or quarterly, semiannual, or annual) income benefit for the life of a person (annuitant), for the lives of two or more persons, or for a specified period of time.

ANTISELECTION – See *ADVERSE SELECTION*

ASSESSED VALUE – The monetary worth of real or personal property as a basis for its taxation. This value, established by a governmental agency, is rarely used by insurers as a means to determine indemnification.

AUTHORIZED CONTROL LEVEL RISKED BASED CAPITAL – An insurance company's theoretical capital amount and surplus that it should maintain.

BENEFICIARY – The person or party named by the owner of a life insurance policy to receive the policy benefit.

BINDER – A temporary insurance contract providing coverage until a permanent policy is issued.

CALENDAR YEAR – The year beginning Jan. 1, irrespective of the contractual date of a policy.

CALENDAR/ACCIDENT YEAR – The accumulation of loss data on all accidents with the date of occurrence falling within a given calendar year.

CASH VALUE – The savings element of a permanent life insurance policy, which represents the policy owner's interest in the policy.

CATASTROPHIC RISK – The risk of a large loss by reason of the occurrence of a peril to which a very large number of insured are subject.

CATASTROPHIC LOSS – Damage resulting from a catastrophe.

CLAIM – A formal request for payment related to an event or situation that is covered under an in-force insurance policy.

COINSURANCE CLAUSE – A clause requiring the insured to maintain insurance on the property at least equal to a stipulated percentage of its value in order to collect partial losses in full.

COMMERCIAL LINES – An insurance coverage for businesses, commercial institutions, and professional organizations.

CONTINGENT BENEFICIARY – The party designated to receive proceeds of a life insurance policy following the insured's death if the primary beneficiary predeceased the insured.

CREDIT LIFE INSURANCE – Insurance issued to a creditor (lender) to cover the life of a debtor (borrower) for an outstanding loan.

DECLINED RISK – A proposed insured that is considered to present a risk too great for an insurer to cover.

DEGREE OF CARE – The minimum care owed by one party for the physical safety of another.

DIRECT WRITTEN PREMIUM – The total premiums received by a property and liability insurance company without any adjustments for the ceding of any portion of these premiums to reinsurers.

DIRECT INCURRED LOSS – The property loss in which the insured peril is the proximate cause of damage or destruction.

EARNED EXPOSURES – The portion of the total amount of exposure (risk) corresponding to the coverage provided during a given time period.

EARNED PREMIUMS – The portion of the total premium amount corresponding to the coverage provided during a given time period.

EVIDENCE OF INSURABILITY – Proof that a person is an insurable risk.

EXPERIENCE RATING – A method of calculating group insurance premium rates by which the insurer considers the particular group's prior claims and expense experience.

FACE AMOUNT – The amount of the death benefit payable under a life insurance policy.

FEMA (Federal Emergency Management Agency) – A former independent agency that became part of the Department of Homeland Security in March 2003; is tasked with responding to, planning for, recovering from and mitigating against disasters.

FLOODPLAIN – A land area adjacent to a river, stream, lake, estuary or other water body that is subject to flooding. These areas, if left undisturbed, act to store excess floodwater.

FRIENDLY FIRE – Fire intentionally set in a fireplace, stove, furnace or other containment that has not spread beyond it.

FREE LOOK PROVISION – An individual life insurance and annuity provision that gives the policy owner a stated time, usually 10 days after the policy is delivered, in which to cancel the policy and receive a full refund on the initial premium payment.

GENERAL LIABILITY INSURANCE – Coverage for an insured when negligent acts and/or omissions result in bodily injury and/or property damage on the premises of a business, when someone is injured as the result of using the product manufactured or distributed by a business, or when someone is injured in the general operation of a business.

GRACE PERIOD – A specified length of time within which a renewal premium that is due may be paid without penalty.

GROSS NEGLIGENCE – A reckless action without regard to life, limb, and/or property.

HAZARD – A circumstance that increases the likelihood or probable severity of a loss.

INSURANCE TO VALUE – The ratio of insurance written on property to its value.

INCONTESTABILITY PROVISION – An insurance and annuity provision that limits the time within which the insurer has the right to avoid the contract on the ground of material misrepresentation in the application for the policy.

INCURRED BUT NOT REPORTED LOSSES (IBNR) – Insured losses that have occurred but have not been reported to a primary insurance company.

INCURRED CLAIMS – The total number of claims associated with insured events/situations occurring during a given time period.

INCURRED LOSSES – The total dollar amount of losses associated with insured events/situations occurring during a given time period. A portion of incurred claims and losses represent insurers' estimates of the final costs of pending claims that are still open during the reporting period, as well as estimates of losses associated with claims that have yet to be reported.

IRREVOCABLE BENEFICIARY – A life insurance policy beneficiary who has a vested interest in the policy proceeds even during the insured's lifetime because the policy owner has the right to change the beneficiary designation only after obtaining the beneficiary's consent.

INSURABLE INTEREST – The interest an insurance policy owner has in the risk that is insured. The owner of a life insurance policy has an insurable interest in the insured when the policy owner is likely to benefit if the insured continues to live and is likely to suffer some loss or detriment if the insured dies.

LIABILITY INSURANCE – Insurance coverage that offers protection against claims alleging that a property owner's negligence or inappropriate action resulted in bodily injury or property damage to another party.

LONG TAIL LIABILITY – Liability in which an injury or other harm takes time to become known and a claim may be separated from the circumstances that caused it by a significant period of time..

LOSS – The dollar amount associated with a claim.

LOSS ADJUSTMENT EXPENSE – Cost involved in an insurance company's adjustment of losses under a policy.

LOSS OF USE INSURANCE – Compensation for loss caused because the policyholder has lost the use of his property.

LOSS PAYABLE CLAUSE – A policy condition that enables an insured to direct the company to pay any loss that may be due to a third party.

LOSS RATIO – Relationship of incurred losses plus loss adjustment expense to earned premiums.

MATERIAL MISREPRESENTATION – A misrepresentation that would affect the insurance company's evaluation of a proposed insured.

MORAL HAZARD – Asymmetry of information about an insured's actions which mask their true risk profile. An insured not disclosing that they smoke in bed would present a moral hazard to an insurer.

MORALE HAZARD – Indifference to or an increased acceptance of risk purely due to the existence of insurance coverage.

MORTALITY TABLES – Charts that show the death rates an insurer may reasonably anticipate among a particular group of insured lives at certain ages.

MORTGAGE INSURANCE – A contract that insures the lender against loss caused by a mortgagor's default on a government mortgage or conventional mortgage.

MORTGAGEE CLAUSE – A clause in an insurance policy that makes a claim jointly payable to the policyholder and the party that holds a mortgage on the property.

MULTI PERIL INSURANCE – Personal and business property insurance that combines in one policy several types of property insurance covering numerous perils.

NAMED PERIL POLICY – The insurance contract under which covered perils are listed. Benefits for a covered loss are paid to the policy-owner. If an unlisted peril strikes, no benefits are paid.

NATURAL AND PROBABLE CONSEQUENCES – Consequences from a given act that a reasonable person could foresee.

NEGLIGENCE – Failure to act within the legally required degree of care for others, resulting in harm to them.

NFIP (NATIONAL FLOOD INSURANCE PROGRAM) – The program of flood insurance coverage and floodplain management administered under the Act and applicable Federal regulations promulgated in Title 44 of the Code of Federal Regulations, Subchapter B.

OFF-BALANCE SHEET RISK – A measure of risk due to excessive rates of growth, contingent liabilities or other items not reflected on the balance sheet.

ORIGINAL AGE CONVERSION – A conversion of a term life insurance policy to a permanent plan of insurance at a premium rate, based on the insured's age when the original term policy was purchased.

POLICY ANNIVERSARY – As a general rule, the date on which coverage under an insurance policy became effective.

POLICYHOLDER SURPLUS – Excess of an insurance company's assets above its legal obligations to meet the benefits (liabilities) payable to its policyholders. Also, the net worth in an insurance company adjusted for the overstatement of liabilities.

POLICY RIDER – An amendment to an insurance policy that becomes part of the insurance contract and either expands or limits the benefits payable under the contract.

POOLING – Method by which each member of an insurance pool shares in each and every risk written by the other members of the pool.

PREFERRED RISK – A proposed insured who presents a significantly less than average likelihood of loss and who is charged a lower than standard premium rate.

PREMIUM – The dollar amount paid for an insurance policy.

PRIMARY INSURANCE – First layer property or liability coverage carried by the insured that provides benefits up to the limits of a policy, regardless of other insurance policies in effect.

REINSURANCE – Form of insurance that insurance companies buy for their own protection, “a sharing of insurance.” An insurer (the reinsured) reduces its possible maximum loss on either an individual risk or a large number of risks by giving (ceding) a portion of liability to another insurance company (reinsurer).

REINSURER – Insurance company that assumes all or part of an Insurance or Reinsurance policy written by a primary insurance company.

REPLACEMENT COST – The cost of replacing property without a reduction for depreciation. By this method of determining value, damages for a claim would be the amount needed to replace the property using new materials.

RESIDUAL MARKET – Consists of insurance consumers unable to obtain coverage in the voluntary market.

RETENTION LIMIT – A specified maximum amount of insurance that a life insurer is willing to carry at its own risk on any one life without transferring some of the risk to a reinsurer.

RISK – Uncertainty of a financial loss; term used to designate an insured or a peril insured against.

RISK BASED CAPITAL (RBC) – The amount of required capital that the insurance company must maintain based on the inherent risks in the insurer’s operations.

RBC RATIO – Measurement of the amount of capital (assets minus liabilities) an insurance company has as a basis of support for the degree of risk associated with its company operations and investments. This ratio identifies the companies that are inadequately capitalized by dividing the company’s by the minimum amount of capital that the regulatory authorities feel is necessary to support the insurance operations.

SCHEDULED PROPERTY – Listing specific personal property for a stated insured value. This is usually considered for valuable items that are subject to limited coverage.

SUBROGATION – The circumstance where an insurance company takes the place of an insured in bringing a liability suit against a third party who caused injury to the insured.

SUBSIDENCE – Movement of the land on which property is situated. A structure built on a hillside may slide down the hill due to earth movement caused by heavy rains.

TENANTS INSURANCE – Coverage for the contents of renter’s home or apartment and for liability. Tenant policies are similar to homeowners insurance, except that they do not cover the structure.

TOTAL ADJUSTED CAPITAL – Commonly refers to an insurance company's capital base under Standard & Poor's capital adequacy model. It includes shareholders' funds and adjustments on equity, asset values and reserves.

UMBRELLA POLICY – Umbrella coverage is insurance coverage that extends the terms of a regular insurance policy once coverage limits for the regular policy have been reached. Specifically, umbrella coverage is for people who want protection against a large jury award that is not covered in their standard policy.

UNDERWRITING – The process of identifying and classifying the degree of risk represented by a proposed insured.

UNDERWRITING RISK – A measure of the risk that arises from under-estimating the liabilities from business already written or inadequately pricing current or prospective business.

UNFRIENDLY FIRE – A fire that escapes from its normal contained area. For example, fire in the fireplace leaps onto the sofa.

VOLUNTARY MARKET – Consists of insurance consumers that insurers select to be provided coverage, using underwriting guidelines that are not unfairly discriminatory. The voluntary market is also called the normal or regular market.

WRITTEN EXPOSURE – The total number of exposures of all policies issued during a given time period.

WRITTEN PREMIUMS – The total premiums generated from all policies written by an insurance company within a given period of time.

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