

2015 INSURANCE MARKET REPORT

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Nevada Division of Insurance

Talk to us. We're here to help.

Insurance Commissioner's Message

I am pleased to present the 2015 Nevada Insurance Market Report. Published by the Nevada Division of Insurance on a bi-annual basis, this report is intended to provide Legislators an understanding of Nevada's insurance market and the issues facing Nevada consumers and the insurance industry, as well as the activities of the Division. Pursuant to Nevada Revised Statute 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 \$3,842,859 recovered for consumers in 2013, and \$4,045,078 recovered for consumers in 2014. 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 as does the market for homeowners' and related insurance. Property and casualty claims have increased throughout the state, and as a result, Nevada consumers have seen corresponding rate changes.

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. Many Nevada consumers experienced enrollment difficulties in 2014, and the Division's top priority has been to assist these consumers in every way possible. I am, however, pleased to observe that the open enrollment period for plan year 2015 appears to be a much better experience for Nevadans. Despite the changes to the health insurance market that became effective in 2014, Nevada experienced very little market disruption and continues to enjoy a competitive health insurance marketplace.

Nevada continues to be a competitive domicile for captive insurance. This is all the more true as the number of competing captive domiciles increases. Nevada experienced record breaking years in 2013 and 2014, both in the number of new captives formed and the amount of captive premium paid. In addition to the fastest application approvals in the country, Nevada also offers some of the best regulatory options for captive formations.

Details of these topics, as well as 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 78th (2015) Legislative Session.

Sincerely,



Scott J. Kipper

Commissioner of Insurance



Agency Overview

The Nevada Division of Insurance (Division) is first and foremost a consumer protection agency; all of our regulatory activities are intended to benefit consumers of insurance in Nevada. Our mission is to protect the rights of Nevada consumers in their experiences with the insurance industry and to ensure the financial solvency of insurers. In order to fulfill its mission, the Division will advance a sound regulatory environment that is responsive to the insurance needs of Nevada.

This is evident in the \$4,045,078 recovered for consumers in 2014.

As the primary regulatory and consumer protection agency of the \$11.9 billion insurance industry¹ in Nevada, the Division is charged with protecting the rights of the consumer and the public's interest in dealing with the insurance industry and are responsible for regulating the insurance industry. The Division sets ethical and financial standards for insurance companies and reviews rates. The Division responds to and assists consumers. It reviews insurance policies to ensure compliance with Nevada insurance laws and regulations. The Division licenses insurance companies, insurance agents, brokers and producers. It makes sure insurance companies are solvent and have the ability to pay claims. It makes sure companies follow through on the promises made to consumers through insurance policies. The Division also reviews programs operated by self-insured employers for workers' compensation.

Budget and Revenues

SSB 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 \$11.9 billion industry that generated \$254,633,643 in traditional tax revenue² and \$28,224,533 in additional revenue³ in fiscal year 2014⁴.

The Division operates eight executive budget accounts with an annual budget authority of \$19,901,983⁵. The DOI takes in over 17,000 unique payments per year from regulated companies and licensed producers. In 2010, the Division was awarded a \$1 million dollar federal grant to assist in the health insurance rate review process. In 2011, the State of Nevada was granted the status of an "Effective Rate Review State" by the federal government. This designation allows the Division to review and approve health insurance rates for Nevada consumers. The Division pursued additional funding under Cycle II and Cycle IV of the rate review grant and was awarded another \$5 million to continue these efforts through September 2016.

¹ \$11,931,645,385 in traditional insurer premium in calendar year 2013.

² \$240,559,705 in traditional tax revenue in fiscal 2013.

³ 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.

⁴ \$27,059,923 in additional revenue in fiscal year 2013.

⁵ Represents authorized budget for fiscal year 2014.

Programs and Operations

The Division's primary office is located in Carson City with a second office located in Las Vegas. The Division has 85 authorized full time positions in its two locations and is organized into eight operational sections:

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

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, two Administrative Assistants, and one Administrative Aide. 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.

As a fully accredited and active member of the National Association of Insurance Commissioners (NAIC) Nevada has a substantial voice during discussions of national and international importance related to insurance regulation. Commissioner Kipper is the Chair of the Senior Issue Task Force, whose mission is to consider policy issues, develop appropriate regulatory standards and revise the NAIC models, consumer guides and training material, as necessary, on Medicare supplement insurance, senior counseling programs and other insurance issues which affect older Americans. One of the primary issues the Task Force addressed during the biennium was the volatility of Long Term Care Insurance.

During the biennium, the Division also hosted its first NAIC International Fellow. Waleed bin Ateeq, Insurance Supervisor from the Kingdom of Saudi Arabia, joined the Division for four weeks to learn about insurance regulation in the United States. Since then the Division has hosted two additional International Fellows, Amu Venkatarammana of India and Khaled Huwaidi also of Saudi Arabia, in 2014. This program is operated with no cost to the state or Division.

The International Fellow Program, as well as all legislation and regulations that affect the Division, are developed and tracked through the Administrative Section by the Insurance Regulation Liaison.



All communications and public education efforts are coordinated through the Administrative Section by the Public Information Officer. The Division's public education efforts underwent a serious overhaul during the biennium, highlighted by, the development and improvement of the Division's website, doi.nv.gov. This was done in three phases. Phase One included a design overhaul improving navigation and usability, an expanded consumer education section, an entire section dedicated to health care reform, a new consumer friendly license verification tool, online consumer complaint forms, as well as improved graphics, navigation and content. Phase Two of the new website included the development of a new health insurance rate lookup tool, which allows small businesses and individuals to view health insurance rates for their region, as well as plan documents, formularies and provider networks. Phase Three included the addition of a title insurance and escrow rate lookup tool. Since its launch, the Division's website has earned nationwide recognition and praise.

In the fall of 2014, the Division also launched a health insurance education website NVInsurance101.com and the new first-of-its kind smartphone app "NDOI Connect." "NDOI Connect" provides some of the most popular and valuable online services the Division offers and is available to download for free on both the Apple App store and the Google Play store.

The Division has also launched a number of statewide outreach campaigns targeted at small businesses and individuals to help them understand the mission of the Division, health insurance rates and title insurance. As a result of these campaigns the Division's website has enjoyed record breaking traffic.



Consumer Services and Enforcement Section

The Consumer Services and Enforcement Section of the Nevada Division of Insurance protects Nevada consumers in their interactions with the insurance industry. The Section investigates consumer complaints and suspected violations of Title 57 of the Nevada Revised Statutes pertaining to insurance. Through the Compliance and Enforcement investigative units, the Division advocates for consumers by ensuring that carriers and producers act within the law and the provisions of the policy contract when dealing with Nevada citizens and businesses, from the legal marketing and sale of insurance products to fair claim handling. In addition, the Enforcement section conducts due diligence Producer Licensing investigations and investigates reports of industry fraud or misconduct in order to ensure that violations are prosecuted administratively by the Division, as well as through other criminal prosecution agencies.

The Section's investigators are responsible for confidential fact gathering and analysis initiated by requests from 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.

Within the Section, 11 Compliance Investigators, one Administrative Assistant, one Chief Compliance Investigator and one Supervisory Compliance Investigator receive and respond to consumer concerns, including formal complaints. Five Compliance Investigators and the Chief Compliance Investigator are located in the Carson City office and the remaining staff is based in Las Vegas; all Consumer Services and Enforcement staff members are supervised by a Deputy Commissioner, located in Las Vegas.

In order to create efficiencies and streamline processes, this section as well as the Legal section experienced significant restructuring effective October 1, 2013. Formerly known as the Consumer Services Section, effective October 1, 2013 the following changes were made to the Division's Organization Chart:

- Changed the name to Consumer Services and Enforcement Section.
- One compliance investigator was reassigned from the Enforcement Section to the Legal Section as the section investigator, reporting to the Chief Legal Counsel.
- The Enforcement section, headed by the Chief Investigator, is now managed by the Deputy Commissioner of Consumer Services and Enforcement.
- Two due diligence producer licensing compliance investigators were transferred from the Producer Licensing Section to the Consumer Services and Enforcement Section.

[Note: Due to the close collaboration of the Consumer Services and Enforcement Section with the Legal Section, the activities of Enforcement and Legal staff are tracked as one combined statistic for the sake of reporting. Therefore, the following metrics only represent the activities of Consumer Services staff; activities of Enforcement staff will be reported in conjunction with the activities of the Legal Section.]

In Calendar Years 2013 and 2014 the Section responded to over 28,352 consumer inquiries and investigated more than 5,512 consumer complaints regarding the activities of insurance companies, insurance agents, bail agents, title agents, and other regulated entities. Through its efforts, the Section recovered \$7,887,937 for Nevada consumers during this period while ensuring that the insurance industry is regulated fairly.

With the launch of its new website and online consumer complaint portal in 2013, the Division has been educating and encouraging consumers to file complaints online through the Division's user-friendly website. On-line filing of complaints is the most efficient means for the Division to assign cases to investigators and begin the process of requesting a response from the insurance entity regarding their position in the matter. The ability for consumers to file a complaint or find information easily through the website has resulted in a decline in the number of consumer contacts by telephone, e-mail and walk-in to the Division's offices, while the number of consumer complaints filed has increased by 9.6 percent between calendar year 2013 and 2014. In the fall of 2014, the Division implemented a new smartphone app, "NDOI Connect," which further encourages utilization of online services and information.



Consumer Inquiries

TYPE OF CONTACT (INCOMING)	CALENDAR YEAR 2013	CALENDAR YEAR 2014
Telephone	12,876	9,790
Walk-In	1,449	2,664
Email	1,060	522
TOTALS	15,385	12,967

Formal Complaints

LINE OF COVERAGE	CALENDAR YEAR 2013	CALENDAR YEAR 2014
Accident and Health	527	739
Automobile	1,321	1,375
Fire	11	7
Homeowners	251	195
Liability	42	35
Life and Annuity	122	117
Miscellaneous	356	414
TOTAL COMPLAINTS	2630	2882

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 are tracked and reflect the amount of relief received by consumers as a result of the Division handling their complaint.

Consumer Recoveries

CALENDAR YEAR 2013	CALENDAR YEAR 2014
\$3,842,859.70	\$4,045,078.77

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 C&F is charged with include:

- Processing insurers' admissions and licensing in that all insurers offering products and services in Nevada must be authorized by the Commissioner.
- Monitoring corporate governance and related transactions with affiliates including mergers, acquisitions, annual renewals, address changes and other revenue items.
- Monitoring solvency, investments and reinsurance: Accomplished through financial review and analysis, desk audits and financial examination.
- Monitoring compliance with financial statutes and regulations, and market practices, which is 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, six Management Analysts, two Actuaries, six Administrative Assistants, and one Accounting Assistant located in Carson City.

There are approximately 2,217 traditional insurers and 159 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 years⁶ 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 accredited 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.

NAIC Accreditation Standards

Based upon multiple insurance company insolvencies in the late 1980's and early 1990's, the National Association of Insurance Commissioners (NAIC) formed a special committee in 1988 to address inconsistencies within state regulation practices for insurance companies. In June 1989, the NAIC adopted the "Financial Regulation Standards," which established a baseline for an effective regulatory system in each state and subsequently became known as the "Accreditation Standards." Under the accreditation program, each state's insurance department is reviewed by an independent review team that assesses the department's compliance with the Accreditation Standards. The program emphasizes three primary areas of state regulation of multi-state insurance companies domiciled in a particular state:

- Adequate solvency laws and regulations in each accredited state to protect insurance consumers;
- Effective and efficient financial analysis and examination process in each accredited state; and
- Appropriate organizational and personnel practices in each accredited state.

⁶ NRS 679B.230



Once accredited, each state is subject to a full accreditation review every five years. Accreditation of a state is also subject to annual reviews based on a state's "Financial Regulation Standards Self Evaluation (SEG)." The SEG is conducted internally and submitted to the NAIC annually. Further, if information comes to the attention of the NAIC Financial Standards Committee (F) that suggests a state may no longer meet the baseline standards, a special review may be conducted. As of June 2011, all 50 states and Washington, D.C. are accredited. Nevada received its initial accreditation in 2002, which was most recently renewed in 2012 and will have our next full five-year review in January of 2017. The Division enjoys the status of being fully accredited by the NAIC.

The Division has taken many steps to continue to maintain its accreditation, the most notable of which includes the following enhancements to the C&F Section:

- Expanded analysis staff;
- Retained professional contract examination;
- Financial analysis and examination training on:
 - Risk based capital analysis;
 - Risk focused examination;
 - Reinsurance analysis;
 - NAIC risk focused exam management;
 - NAIC western zone analysis and examiner training;
- Assignment of Division actuaries to the C&F section; and
- Updated division policies and procedures for analysis and examinations.

For the 2013 and 2014 calendar years, the Division participated on 62 financial examinations and five market conduct examinations of domestic and foreign insurers. During that same time period, 106 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 violation of Nevada law and may be subject to administrative, civil, or criminal action. During the 2013 calendar year the Division licensed 68 new traditional insurers. An additional 61 traditional insurers were licensed in 2014.

Captive Insurance

Captive Insurance is a form of self-insurance whereby the insurer is owned wholly by the insured. Captives are established and tailored specifically to meet the risk-management needs of the owners or members. They also provide coverages that cannot always be found in the regular commercial insurance market. There are various types of captive structures. The variations continue to evolve and flourish as companies come up with new and more sophisticated ways to utilize captive insurance. According to AM Best Captive Center, there are over 5,000 captives globally compared to roughly 1,000 in 1980. Today, there are more than 70 jurisdictions competing in the captive insurance arena.

Since the inception of Nevada's captive program in 1999 there has been significant growth in the captive domicile and market as a whole. Today, Nevada's program has grown to house 160 captive entities and this number is rapidly growing. Although the number of captive domiciles is growing, making the market more competitive than in prior years, Nevada upholds its competitive edge as one of the leading captive domiciles in the nation.

In addition to the fastest application approvals in the country, Nevada also offers some of the best regulatory options for captive formations. This fact combined with Nevada's nation-leading program support continues to make Nevada an attractive domiciliary state for captive insurers across the nation. The Division issued licenses to 27 new captive insurers in 2013 and 26 new captive insurers in 2014, bringing the total number of captive insurers licensed to 160.

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 Premiums and Taxes Paid

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
2012	\$180,669,549	\$818,633
2013	\$193,173,340	\$997,357

Legal Section

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

The Division's attorneys review the results of company examinations, confidential investigations and other requests for interpretation 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 Legal Section's investigator is responsible for confidential fact gathering and analysis. The investigator is responsible for developing credible evidence and is a key testifying witness for the Division during administrative prosecutions of violations of the Insurance Code.



The Commissioner's Legal staff consists of one Chief Insurance Counsel and two staff Insurance Counsels located in Carson City, plus one Investigator located in Carson City. The attorneys and investigator are supported by one Chief Legal Secretary and three staff Legal Secretaries located in Carson City and one Legal Secretary 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.

In an effort to create new efficiencies this section, as well as the Consumer Services and Enforcement section, experienced significant restructuring effective October 1, 2013. Formerly known as the Legal and Enforcement Section, effective October 1, 2013 the following changes were made to the Division of Insurance Organization Chart:

- Changed the name to Legal Section.
- One compliance investigator was reassigned from the Enforcement Section to the Legal Section as the section investigator, reporting to Chief Legal Counsel.
- The Enforcement section, headed by the Chief Investigator, is now managed by the Deputy Commissioner of Consumer Services and Enforcement.

[Note: Due to the close collaboration of the Legal Section with the Consumer Services and Enforcement Section, the activities of Legal and Enforcement staff are still tracked as one combined statistic for the sake of reporting. Therefore, the following metrics represent the combined activities of these two sections. Activities of Consumer Services staff are reported separately.]

During the period between July 1, 2012 and June 30, 2014, the Legal Section opened 1,190 new cases (investigations and other legal administrative processes) and completed 1,342 cases through formal and informal means. Through the biennium there were 47 cases scheduled for administrative hearing, of which 18 progressed to final determination. The Division's hearing caseload comprised of:

- Licensing violations (bail, unlicensed individuals, failure to timely file, failure to remit payment, license denial, etc.) – 47 percent;
- Self-insured employers (failure to maintain adequate net worth, etc.) – 32 percent; and
- Company issues (exam fees, mergers, etc.) – 21 percent.

Actions undertaken by the Enforcement Section of the Division have resulted in recoveries to consumers and insurers this biennium of \$834,810 in addition to the recoveries.

The Insurance Code (Title 57) 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 assessed administrative fines in the amount of \$1,338,461 and collected \$1,555,782 during the biennium.

The Commissioner has authority to adopt regulations which supplement and clarify the statutes within the Insurance Code. During the biennium the Division conducted 21 public workshops and 20 public hearings to adopt, amend, and repeal administrative regulations.

During the biennium the Division processed 129 Assignments which include various responses to the public, the insurance industry, the Governor's office, Legislators, as well as Opinions and Surveys. The Division also issued 23 advisory bulletins. In its duty to respond to public records requests and formal subpoenas, the Division processed 274 public records requests and 41 subpoenas. The number of public records requests received increased by nearly 46 percent increase over last biennium, in 2014 public records requests totaled nearly 200,000 pages. The Commissioner is also the attorney-in-fact to receive service of process for non-domestic companies licensed in Nevada, and accepted 1,682 services of process in that capacity.

During the reported biennium, the following are of particular note.

Bail Industry

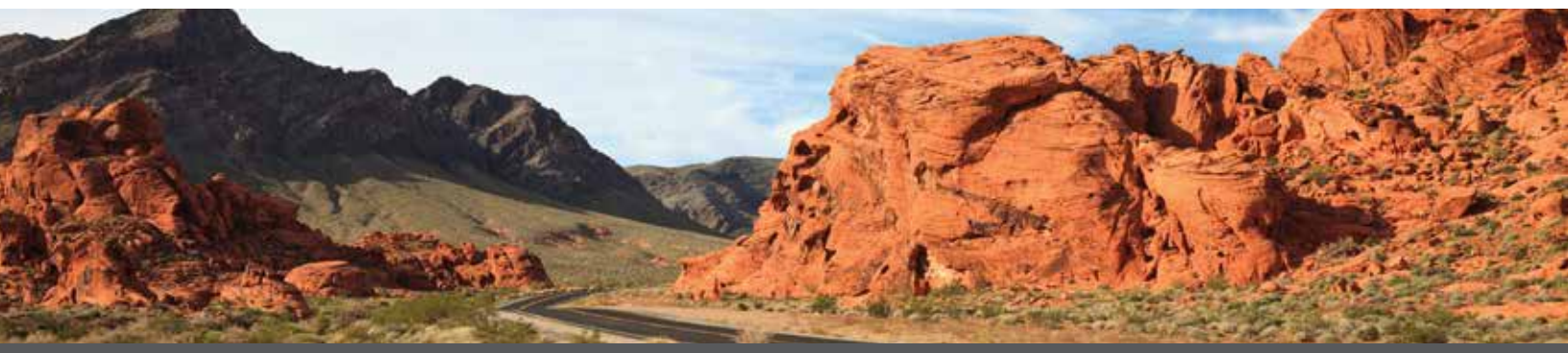
The Division's success in certain enforcement actions and its efforts to provide additional guidance to the bail industry over the past biennium is resulting in fewer consumer complaints received by the Division. The administrative enforcement actions initiated and pursued by the Division have resulted in an increase of criminal prosecutions by the District Attorney and the Attorney General for such crimes as robbery, burglary and assault. The Division has also worked with the surety insurance companies issuing bail bonds through appointed bail agents in Nevada to assist in addressing the needs of affected consumers.

Insurance Fraud

During the immediate past biennium the Division has noted an upsurge in complex organized criminal conspiracy cases involving life insurance and variable annuity contracts. In one such scheme, a group of former insurance agents (previously convicted or suspected of such fraud) appear to have recruited friends and relatives to become licensed insurance agents for the purpose of completing fraudulent variable annuity applications for other members of "the ring". Fraudulent checks for the annuity deposits are attached to these applications and submitted to the insurance companies. By the time the insurance companies realize that the deposit is nonexistent, they have already paid advance commissions to these licensed agents in "the ring", who are now nowhere to be found.

In a similar scheme, a group of immigrated and/or naturalized aliens have assumed the identities of properly licensed insurance agents and electronically changed the contact information of those agents' in the data bases of a number of state departments of insurance. The changed information then reflects the (false) contact information of the impersonator. The impersonator then procures appointments to various life insurance companies, submits false applications and false checks for the first premium payment for high-dollar life insurance coverage. Again, by the time the insurance companies realize the fraud, they have already paid advance commissions to these impersonators who have now disappeared.

These schemes have both resulted in multi-million dollar losses to insurers and feature the use of falsely obtained bank accounts used to wash the advanced commission funds through. There are elements of bank fraud, mail fraud, wire fraud and other federal criminal offenses in these schemes.



MEWAs and the ACA

With the initiation of the Affordable Care Act (ACA) and the changes affecting certain small group employers, there has been a resurgence of Multiple-Employer Welfare Arrangements (MEWAs) in the marketplace. The targeted market appears to be employers in the 2-25 employee range. MEWAs, while legal under the Employee Retirement Income Security Act (ERISA) of 1974, as amended in 1981, are a complex grouping of more than one employer providing benefits for their collective employees. MEWAs are subject to joint state and federal regulation, the extent of each depending upon whether the scheme is fully insured or not (the latter being more extensively regulated by state departments of insurance). The last large surge in such plans was noted for several consecutive years in the last decade, but slowly died down. At that time, a number of the plans offered were insufficiently funded or simply non-existent, and were severely harmful to consumers. A renewed interest in these types of schemes will require careful monitoring by the Division.

Life and Health Section

The Life and Health Section (L&H) 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 and annuities. Other specific types of insurance reviewed by L&H 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, etc.).

The L&H Section has one Chief Insurance Examiner, six Actuarial Analysts (one of which also serves as Assistant Chief and another is a contract employee), one Project Coordinator (contract employee) and one Administrative Assistant in Carson City.

The Life and Health Section, like the Property and Casualty Section, reviews rate and form filings from insurers to ensure a competitive and 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 products⁷. The insurance products regulated by L&H are separately regulated by approximately fifteen different chapters of the Nevada Revised Statutes.

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

- Nevada's Medicaid program is regulated by the Nevada Department of Health and Human Services;
- Medicare and Medicare Advantage Plans are regulated by the federal government, however, the Medicare Advantage plan insurers are licensed by the Division and subject to financial solvency regulation but are regulated in all other regards by the federal government;
- Medicare Supplement (aka "Medigap" policies) are regulated by the Division;
- The Division regulates large group policies of health insurance (forms) but has no regulatory authority over large group health insurance premiums⁸; and
- Self-insured employers are regulated under federal law, the Employee Retirement Income Security Act of 1974 (ERISA).

⁷ NRS 686B.030

⁸ Per NRS 689C.095 defines a "small employer" as one having at least two employees but not more than 50 employees who have a normal workweek of at least 30 hours and who employs at least two persons on the first day of the plan year. This definition changes effective January 1, 2016, to mirror the definitions in 42 U.S.C. § 18024(b)(2) which currently defines a small employer as one having fewer than 100 full-time or full-time equivalent employees.

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 L&H's time and resources. The Division has received federal grants totaling just over \$6 million to streamline and improve health insurance rate review processes, ensuring the reasonableness, sufficiency and nondiscriminatory nature of health insurance rate increases.

There has been a great amount of interest in how the ACA has affected the health insurance marketplace. Overall, in 2015 the health insurance market is looking very competitive and stable. Existing plans on the individual market are experiencing a four to eight percent increase, which is lower than the increase in health care costs. In the small group market, rates are remaining relatively flat.

The number of plans available in Nevada has also increased for 2015. In the individual market, the number of plans available has increased by 56 percent. In the small group market, the number of plans available has increased by 44 percent.

In 2011 the Medical Loss Ratio (MLR) provisions of the ACA became effective. MLR requires insurers to pay a certain percentage, typically 80-85 percent, of applicable premiums out in claims benefits payments or refund the excess to policyholders. Total premiums rebated in 2014 for Plan Year 2013 were \$4,049,167. This total came from \$730,712 for the Individual Market; \$2,900,800 for the Small Employer Market; and \$417,655 for the Large Employer Market. These rebates result from eight carriers failing to meet the MLR minimums. This is approximately 0.2 percent of the \$2.1 billion in premium collected for these policies.

L&H was also charged with the plan management responsibilities for the Silver State Health Insurance Exchange (Exchange). This task involved approving all rates, forms and binders that must be "validated" by the federal Health Insurance Oversight System (HIOS) prior to being submitted the Exchange. Numerous and specific deadlines were set by the Center for Medicare & Medicaid Services for meeting a variety of tasks to ensure that the open enrollment date of November 15, 2014, would be met for the Healthcare.gov website.

In calendar year 2013, L&H received 2,390 rate and form filings. Of these, 1,761 were approved for use; 58 were approved with stipulations; 40 were disapproved; and 35 were withdrawn. The balance were either informational only (still must be reviewed) or merely closed after review. (Certain filings, such as reports, must be reviewed but are closed without approval or disapproval.)

In calendar year 2014 L&H received 2,618 rate and form filings. Of these, 83.8 percent were approved/closed; 1.3 percent were disapproved; and the remaining 14.9 percent were either informational only or were withdrawn. Filings which must be "approved" rather than "closed" require much greater review.

The L&H Section maintains separate statistics for Medicare Supplement filings. In calendar year 2013, 124 rate filings were received. In calendar year 2014, 382 rate and form filings were received. 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 due to inaccurate assumptions when the plans were created. As a result, over the last several years consumers have seen large premium increases. Under the 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.

A great deal of effort from L&H, aided by the Public Information Officer, has gone into developing and maintaining one of the country's best designed health insurance rate resource tools. The Division's website and our newly launched phone application offer individual and small group rates along with the plan documents that support each offering in the state, including the Schedule of Benefits and Evidence of Coverage with links to the drug formulary and associated physician provider network.

The Division hosted a series of workshops gathering information to adopt regulations for Network Adequacy and Prescription Drugs. These two subjects are very important to the successful implementation of the Affordable Care Act. A final hearing on each was held on November 12, 2014.

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, exchange enrollment facilitators 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 Program Officer Assistant Chief, and eight Administrative Licensing Technicians in Carson City.

As of January 2015 the Producer Licensing Section has regulated 133,549 licensees. This total includes 16,251 resident and 101,994 non-resident insurance producers, and 15,304 other license types licensed to do business in Nevada.

With the implementation of the Division's online electronic licensing functionality, the Division is processing 97 percent of expanded licensing services electronically. Effective January 1, 2015, 95 percent of the Division's license renewals will be emailed directly to the licensee. The email will include a hyperlink allowing the licensee to renew online, and print their license. The fees associated to an electronic transaction are deposited into the State Treasurer's account, and the Division receives documentation of the funds transaction and all of the funds are allocated into the appropriate budget accounts.

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. This process is also now being done electronically, allowing insurers to submit payment directly to the State Treasurer's Office. In 2014, the annual appointment renewal project generated more than \$5 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.

License Review Committee Process

The Division is charged with protecting Nevada consumers in their experiences with the insurance industry. The Producer Licensing Section and its License Review Committee take this responsibility very seriously in its dealings with insurance carriers as well as producers, brokers and exchange enrollment facilitators. In respect to producer licensing, the Division has developed a process to ensure that every applicant is appropriately reviewed to ensure that these individuals are of good moral character and are acceptable in accordance with NRS 683A.451 and 18 U.S.C. Code § 1033.

When an application is received by the Division the information in the application, as well as any supplemental information submitted is reviewed by Division Staff. A report from the Nevada Department of Public Safety and the Federal Bureau of Investigation, regarding any criminal background based on the applicant's fingerprints is reviewed. Division staff also checks to see if an applicant has any regulatory actions in other states.

If the background check reveals no criminal history, the administrative history is clear, and the applicant meets all of the required qualifications the license or certification is issued. If not, the application is referred to a supervisor for further review and eventually the section chief for review. Supervisory review determines whether an investigation is warranted or whether the application should be submitted to the producer licensing committee for review and recommendation of action to the Commissioner.

Exchange Enrollment Facilitators

The federal Patient Protection and Affordable Care Act of 2010 ("ACA") and its associated regulations required states to create programs for "Navigators", "Enrollment Assistors", and "Certified Application Counselors" to assist consumers in purchasing insurance through a public health insurance exchange. States were permitted to license or certify these new entities but were prohibited from requiring them from obtaining insurance producer licenses through existing and well-established channels.

Anticipating the potential for abuse by unlicensed and improperly educated actors in the health insurance market, the Division proposed legislation in the 77th (2013) Legislative Session that granted authority for a new certification and education program applicable to these new entities, collectively referred to as Exchange Enrollment Facilitators ("EEF"). In 2013 the Division finalized implementation of the EEF program and issued the first certifications in time for the inaugural open enrollment period of the Silver State Health Insurance Exchange.

Nevada's EEF program requires that applicants take a pre-certification course of instruction in relevant health insurance and public benefit program topics. Applicants must also pass a certification exam with a score of at least 80 percent, the highest requirement of any state in the nation. Prior to receiving an EEF certification applicants must also submit to a fingerprint background check to reduce the risks of potential bad actors interacting with Nevada consumers. Subsequent to certification all EEFs are held to strict standards concerning conduct, ethics and conflict of interest in the insurance industry, such that the Division retains authority to impose corrective actions and/or penalties, including suspension or revocation of the offender's certification

As of January 2015, the Division has licensed 456 EEFs and has received no complaints against an EEF in Nevada.



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

Insolvency Funds

Pursuant to Nevada Revised Statutes 616B.309 and 616B.443, insolvency funds are maintained for both SIEs and SIGs. These funds exist to provide for the payment of benefits, should an employer or a group become insolvent. Each of the funds are supported through annual assessments based upon the claims activity and the amount of the security deposit maintained for each SIE or SIG.

Over the many years of regulation, only a small number of SIEs have become insolvent. When this occurs, the Division has access to the security deposit as well as any excess insurance coverage in place at the time of the insolvency. The monies in the insolvency fund for SIEs have consistently been sufficient to meet all of the obligations of employers that become insolvent. No SIG has ever become insolvent since SIGs were first authorized in 1995. Nevada's SIG statutes and regulations are considered to be among the strongest and most comprehensive in the country.

Nevada Employers

There are presently 114 employers in Nevada who are SIEs, meaning that the Division has granted a certificate of authority for them to self-insure their workers' compensation obligation. These employers represent approximately 325,000 employees. In addition, Nevada has certified nine SIGs representing approximately 2,700 employers and 80,000 employees.

Financial Regulation

The regulation of SIEs requires that the Division perform regularly scheduled claim audits. Audits are conducted by examiners contracted by the Division to ensure the adequacy of the security deposit. A total of 34 audits were conducted in FY 14 and 40 were conducted in FY 13. The regulation of SIGs requires that a financial examination be conducted by an independent auditor at least every three years. Three SIGs were examined in FY13 and six were examined in FY14. In all of the audits and examinations conducted, no issues have been identified that would require regulatory action.

Both SIEs and SIGs are required to secure excess insurance coverage that protects that entity for losses incurred that exceed their self-insured "retention." The retention is the amount of financial exposure each entity assumes entirely. Losses that exceed this retention are then covered by a policy of excess insurance. Higher retention levels continue to be a trend for both SIEs and SIGs. Self-insured employers and groups who maintain higher retentions are required to post larger security deposits due to the increased exposure to the respective insolvency fund in the event of financial impairment.

For many years, the Nevada's self-insured workers' compensation program has provided employers with an important alternative to traditional insurance. The Division's Self-Insured Workers' Compensation program has met the needs of employers while providing strong and stable regulatory oversight designed to protect the benefits of the injured worker.

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 that rates 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 P&C Section is headed by a Section Chief and staffed by four Actuarial Analysts (one of whom also serves as Assistant Chief), two Management Analysts, and an Administrative Assistant in Carson City.

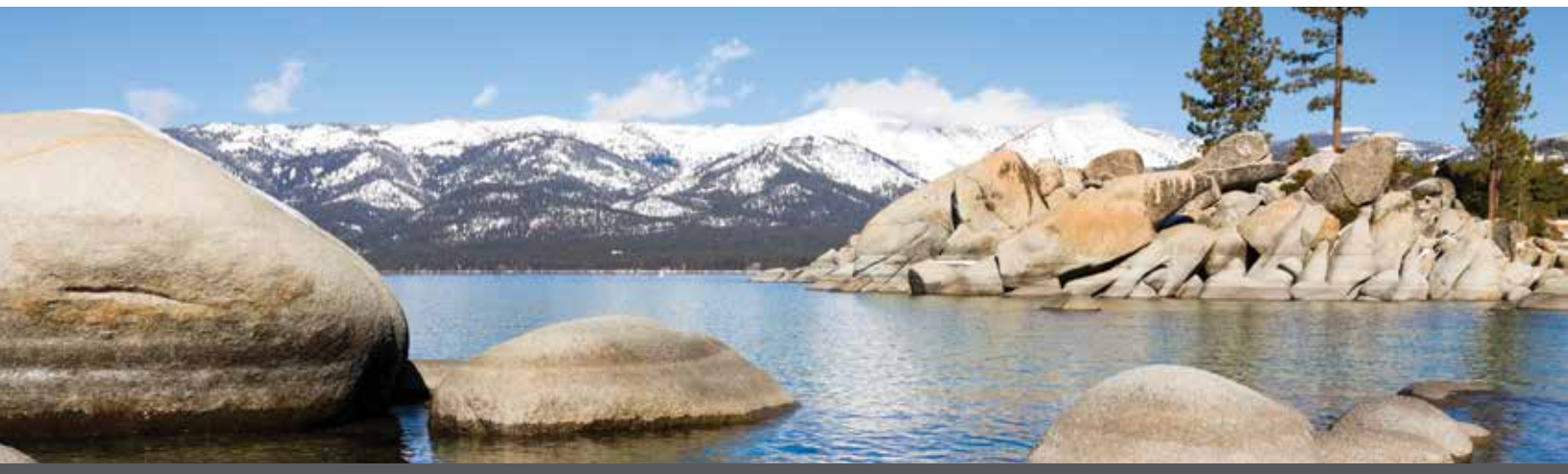
The P&C Section strives to protect consumers through the review of rates, rules, and forms. This is accomplished by ensuring that:

- 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 and forms must be submitted to the Commissioner and approved prior to use in the marketplace. NRS 686B.110 contains a "deemer" clause which states that rates for personal lines of insurance submitted by insurers that are not approved or disapproved by the Commissioner within 30 days are deemed to be approved. The P&C Section currently approves or disapproves insurers' rate filings within the deemer-clause period. Since 2012, the rate/form filings have been approved within an average of 12 days after receipt of a complete filing, well below the national average of 24 days.

The Herfindahl-Hirschman Index (HHI) is a measure of market competition. Ranging on a scale of 0 to 1, the lower the HHI, the more competition there is in the market. The U.S. Department of Justice considers HHI levels below 0.15 to indicate a healthy amount of competition within a market⁹.

⁹ Source: U.S. Department of Justice, Antitrust Division. "Herfindahl-Hirschman Index". Available at <http://www.justice.gov/atr/public/guidelines/hhi.html>.



Private Passenger Auto Insurance

Insurance premiums for automobiles have a correlation with the claims experience of Nevada insurers. Statistical data indicates that insurers in Nevada have been seeing an increase in the number of claims (claim frequency) and have been paying more for such claims (claim severity) in recent years. The high cost of Nevada's auto insurance premiums relative to other states appears to be 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 cost of auto insurance premiums in Nevada in relation to those in other states, the Nevada auto insurance market is objectively competitive. In 2013 Nevada's HHI measures were 0.0531 for the personal automobile insurance marketplace as measured by individual insurance companies and 0.0860 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 calendar-year 2013 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 2011. Exhibit IV shows the top five insurance groups offering private passenger automobile insurance in Nevada in 2011 and 2013. Exhibit IV also shows that the pure direct loss ratio for the top five groups in 2013 was 63.27 percent – 3.1 percentage points lower than the ratio for all companies and a 3.6 percentage-point increase from the ratio of 59.67 percent in 2011.

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

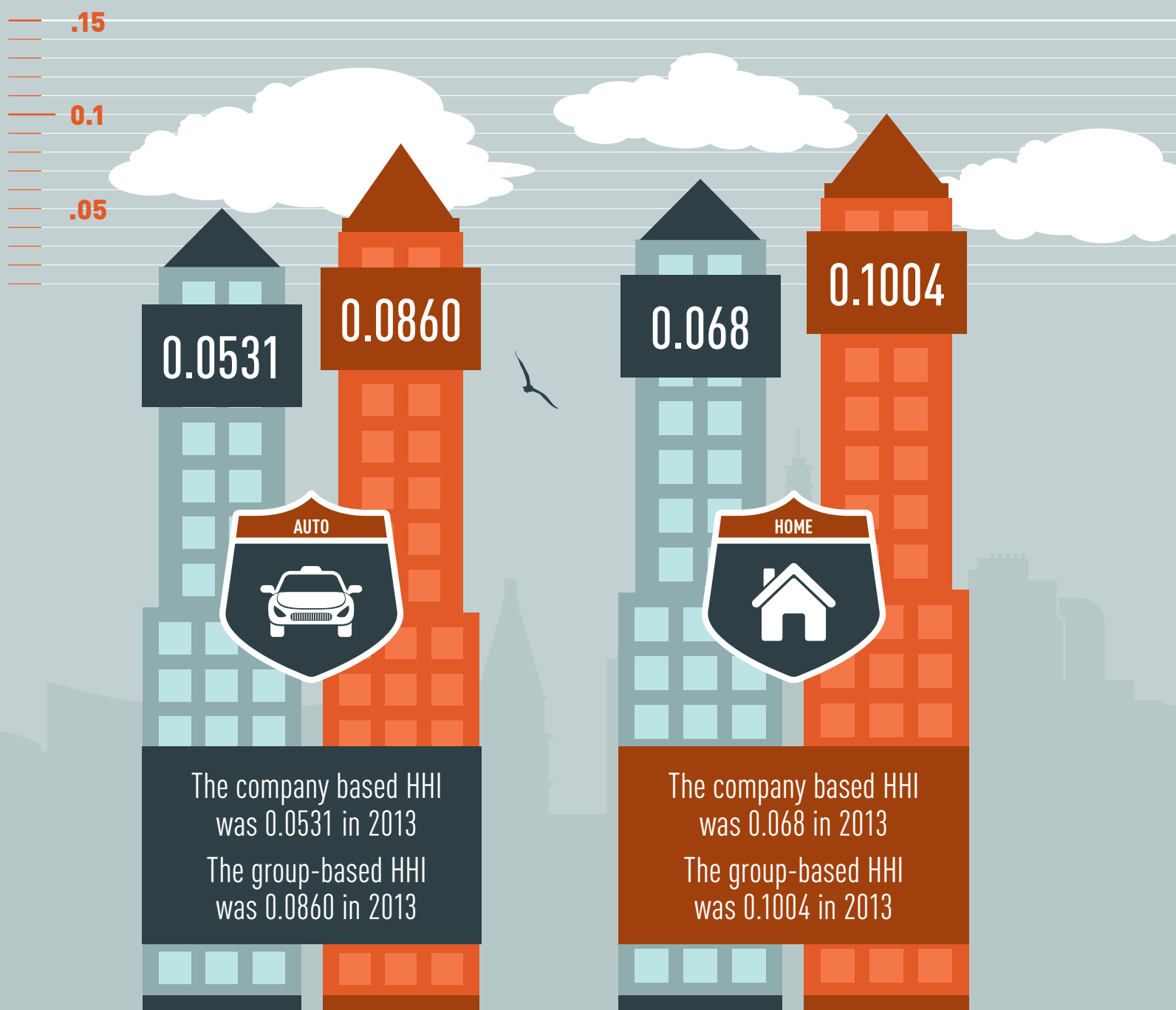
Ride-Sharing Technology Companies

A recent development impacting personal automobile insurance companies pertains to the arrival of ride-sharing companies in Nevada. Almost every personal automobile insurance policy excludes insurance protection when an insured uses his/her personal car for commercial ventures, including transporting passengers for a fee. Nevada law and insurance contracts allow personal automobile insurers to deny claims and cancel the underlying insurance policy if commercial use of a personal car is discovered. This is primarily due to a material change in the nature of the risk exposure for the insurance companies who evaluate the risks (underwriting) and determine how much premium to charge (rating) based on the risk exposure.

The Division has communicated with the insurance industry on this matter and, at the request of Nevada Attorney General's office, testified as insurance experts at court hearings. This intersection of personal lines of insurance with commercial ventures and the change in the nature of the risk may result in future developments as to how auto insurance policies are evaluated and rated in Nevada.

Understanding HHI in

■ NEVADA ■

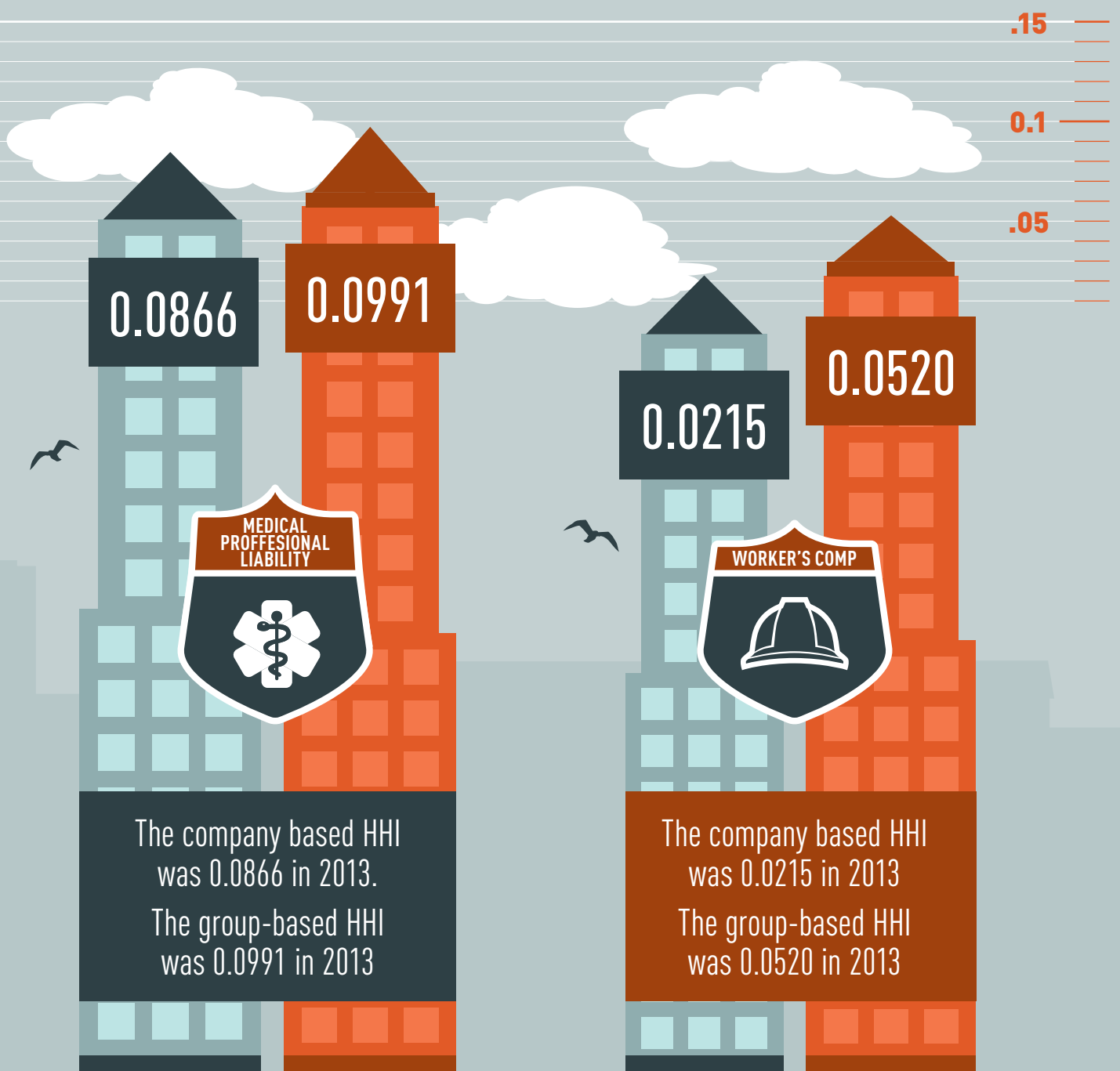


The Herfindahl-Hirschman Index (HHI) is a measure of market competition.

Ranging on a scale of 0 to 1, the lower the HHI, the more competition there is in the market. The U.S. Department of Justice considers HHI levels below 0.15 to indicate a healthy amount of competition within a market.

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.

Nevada's markets show a healthy amount of competition.



Other Consumer Education Efforts

The Division recently updated its “Consumer’s Guide to Auto Insurance Rates”¹⁰ 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.

In addition to the publication of a consumer guide and public service announcements, the Division has been publishing on its website and annually updating the insurance policies and mandatory endorsements from the 10 largest auto insurers in Nevada, with the objective of increasing transparency. Nevada was the first state in the country to undertake this consumer-friendly endeavor, and many states have followed Nevada’s footsteps and began making this information available to constituents of their states.

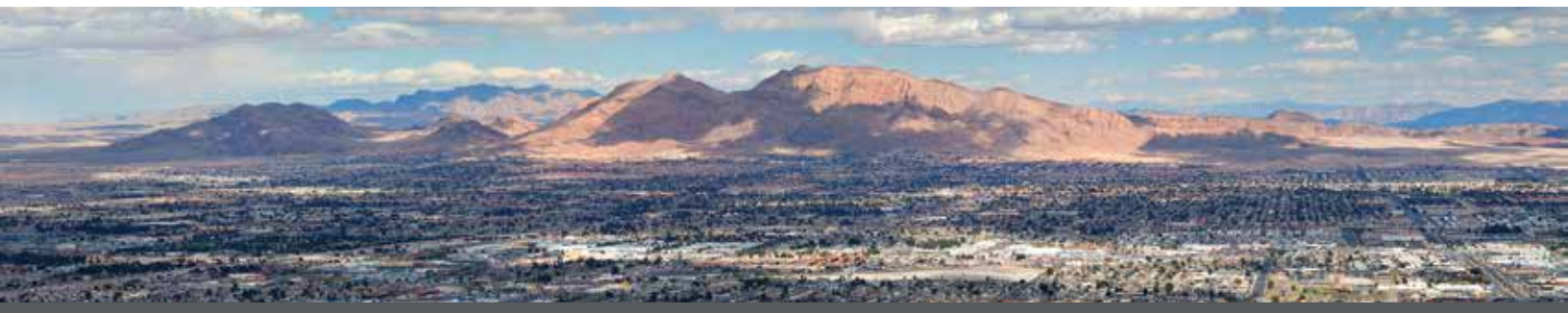
Homeowners’ Insurance

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 VI shows values of the HHI for Nevada home insurance, for both companies and groups, during the years 2005 through 2013. For homeowners’ insurance companies, the HHI remained unchanged from 0.0679 in 2011 to 0.068 in 2013, well below the Department of Justice threshold of 0.15 and indicative that the Nevada market remains relatively unconcentrated. The group-based HHI declined from 0.1047 in 2011 to 0.1004 in 2013. 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 VII, which shows the 2013 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 VIII provides the same market information for 2011. Exhibit IX shows the top five insurance groups offering home insurance in Nevada in 2011 and 2013. The top five insurance groups constituted 60.51 percent of Nevada direct written premium in 2013, compared to 62.15 percent in 2011. With regard to market shares of individual companies, the top 25 insurers wrote 84.78 percent of the premium in 2013, compared to 85.92 percent in 2011 – a slight decrease in market share.

Exhibit X summarizes major rate changes by the top five insurance groups within the past three years. Most of the changes in 2013 and 2014 have been rate increases, a trend that is indicative of increased claims activity and new methodologies being used by insurers to assess the risks at a finer level of detail.

¹⁰ Consumer’s Guide to Auto Insurance Rates - http://doi.nv.gov/uploadedFiles/doinvgov/_public-documents/News-Notes/Auto_Guide.pdf



While the Division continues to approve rate-change requests received from home insurers 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 may not be 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 insurers tend to temper their proposed changes by eliminating ratemaking assumptions that have 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 2013 and 2014, Division staff made presentations at the Nevada Wildland-Urban Interface hosted by the University of Nevada Cooperative Extension's "Living With Fire" program in Douglas and Washoe Counties and to the Virginia Highlands community hosted by the Fire Safe Highlands in Storey County. Division staff has also assisted the State Fire Marshal and local Fire Chiefs with questions pertaining to availability of home insurance and changes to Public Protection Classes in local communities.

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".¹¹ While earthquake is a recognized peril for Nevada homeowners, very few Nevadans actually purchase earthquake insurance. To provide further information on the real dangers from earthquakes and the protections available to consumers, the Division also publishes and maintains the "Nevada Consumer's Guide to Earthquake Insurance".¹² In addition to the publication of consumer guides, the Division publishes on its website and annually updates the insurance policies and mandatory endorsements from the 10 largest home insurers in Nevada, with the objective of increasing transparency.

Medical Professional Liability (Medical Malpractice) Insurance

Medical professional liability insurance provides defense and indemnification for claims arising out of alleged errors and omissions or failure to meet the standard of care in the practice of medicine. It is more commonly known as medical malpractice insurance. With few exceptions, medical professional liability insurance is not mandated by the state of Nevada. However, physicians and certain other medical professionals are typically required to show proof of coverage in order to receive hospital privileges or to be included in preferred-provider networks. Since many medical professionals would be unable to practice medicine without medical professional liability insurance and since the public's well-being depends on access to medical care, it is considered an essential insurance product.

Overall, the medical professional liability insurance market in Nevada continues to be extremely stable and competitive. Significant process improvements by the Nevada Division of Insurance, such as modernization of the Division's closed-claim reporting system in October 2012 and the full implementation of the enhanced system as of July 1, 2013, have enabled more efficient and effective regulation within the current legal structure.

¹¹ Nevada Consumer's Guide to Home Insurance - http://doi.nv.gov/uploadedFiles/doinvgov/_public-documents/News-Notes/HomelInsuranceGuide2011B.pdf

¹² Nevada Consumer's Guide to Earthquake Insurance - http://doi.nv.gov/uploadedFiles/doinvgov/_public-documents/News-Notes/EarthquakeInsurance_B.pdf

Exhibit XI represents Nevada's medical professional liability experience reported on the insurers' Annual Statements, filed with the National Association of Insurance Commissioners (NAIC), for calendar year 2013. The exhibit shows that medical professional liability insurance has been a profitable line of business during the time period in question. Historically, the pure direct loss ratio – the proportion of earned premium used to pay for insured losses – was 39.28 percent in 2009, 10.08 percent in 2010, 17.28 percent in 2011, -5.57 percent in 2012,¹³ and 45.08 percent in 2013. While the 45.08 percent loss ratio for 2013 was an increase from prior levels, losses remain sufficiently low that less than half of the premiums earned by medical professional liability insurers were used to pay claims.

The number of companies offering medical professional liability insurance in Nevada has been stable over the long term. The NAIC Annual Statements – the latest information regarding which is available for calendar year 2013 – show that 69 insurers wrote non-zero premium in Nevada in 2009, compared to 77 in 2010, 82 in 2011, 77 in 2012, and 81 in 2013. While the top 25 insurers continue to write more than 90 percent of the premium, their combined share of the market declined slightly to 90.32 percent in 2013, compared to 91.28 percent in 2012 and 92.92 percent in 2009.

Effective October 1, 2013, the Independent Nevada Doctors Insurance Company (IND) was merged into ProAssurance Casualty Company subsequent to the approval of the Nevada Division of Insurance. This led ProAssurance Casualty Company to attain the largest market share in Nevada for 2013 (20.44 percent of written premium). The combined 2012 market share of the two previously separate ProAssurance companies operating in Nevada (IND and ProAssurance Casualty Insurance Company) was 24.21 percent.

The calendar-year company-based HHI for medical professional liability insurance in Nevada was 0.0820 in 2009, 0.0818 in 2010, 0.0801 in 2011, 0.0800 in 2012, and 0.0866 in 2013. This suggests that the market has remained unconcentrated during those years, indicating a healthy level of competition.

The market for medical professional liability insurance remains favorable in Nevada – with healthy and growing competition, available and affordable coverages, and an undiminished capacity of insurers to pay claims.

Workers' Compensation Insurance

Workers' compensation insurance is industrial insurance, defined by NRS 616A.260 as "...insurance which provides the compensation required by chapters 616A to 617, inclusive, of NRS and employer's liability insurance incidental to and provided in connection with that insurance." In Nevada, there are three workers' compensation insurance mechanisms: private insurers, associations of self-insured employers, and individual self-insured employers. This segment focuses on private insurers.

Since July 1, 2001, the National Council on Compensation Insurance, Inc. (NCCI) has filed proposed prospective loss costs for the voluntary market. Loss costs are the expected costs of medical and wage-loss benefits, including the costs to administer the benefits by employment classification. Once these loss costs are filed, insurers may either file a loss-cost multiplier (LCM) to increase the loss cost for other expenses and profit (taking into account investment income), or file full rates based on the approved loss costs.

NCCI also files proposed rates for the assigned-risk plan. For the assigned-risk plan, NCCI files rates that include all expense provisions, including loss-adjustment expenses (LAE), administrative expenses, and commissions. The rates are a function of the loss costs and the assigned-risk plan's administrative expenses.

¹³ The loss ratio in 2012 was negative because insurers' total reductions in carried loss reserves pertaining to prior loss years exceeded incremental payments on claims during the year.

Overall Nevada workers' compensation insurance rates have been stable in the short-to-medium term and decreasing in the long term to reflect the declining costs of insured losses. Commissioner Kipper approved a decrease of 0.5 percent in voluntary-market loss costs and a 5.0 percent decrease in assigned-risk rates to be effective March 1, 2015. This follows the 3.2 percent increase in loss costs and 3.3 percent increase in assigned-risk rates that were effective March 1, 2014. The overall loss-cost decrease for the voluntary market in 2015 was driven by favorable changes in loss development, which suggest that the amount of reported workers' compensation claims will not grow over time by as large a proportion as was previously anticipated. To reflect this evaluation, NCCI adjusted its loss-development factors downward for both indemnity and medical components of workers' compensation claims. The additional downward influence on assigned-risk rates is due to the significant expense reductions achieved as a result of Nevada's recent servicing-carrier bid, effective January 1, 2015. Nevada's selection of servicing carriers is expected to bring considerable efficiency at reduced cost to assigned-risk insureds and insurers participating in the assigned-risk market.

Exhibit XII summarizes the voluntary-market loss-cost and assigned-risk rate changes for 2014 and 2015 by industry group and overall.

The changes vary by classification and are as much as 20 percent above or below the average for the classification's industry group. For example, for classification 8810 – "clerical office employees not otherwise classified" – the approved change for the loss cost was a 6.3 percent decrease for 2014 and a 10.0 percent decrease for 2015. This classification falls within the larger Office and Clerical industry group, for which the loss costs had an average increase of 0.5 percent in 2014 and an average decrease of 0.5 percent in 2015. The changes for each year become effective as of March 1 of that year and apply to a risk as of its anniversary rating date, which usually is the policy effective date.

The cumulative decrease in voluntary-market workers' compensation loss costs since March 1, 2008, was approximately 19.6 percent. The cumulative decrease in the assigned-risk rates over the same time period was approximately 24.1 percent. Exhibit XIII shows that, since private insurers were permitted to write workers' compensation coverage effective July 1, 1999, overall rate levels in Nevada have decreased significantly. The average loss-cost level in the voluntary market is approximately 62.3 percent of the average rate level that existed prior to privatization. Rates in the assigned-risk market are higher by design than in the voluntary market (to encourage insureds to seek voluntary coverage), but they have also declined substantially, to approximately 57.5 percent of their 1999 levels.

The affordability of workers' compensation insurance in Nevada was highlighted in the biennial 2014 Oregon Premium Rate Ranking Study, produced by Oregon's Department of Consumer and Business Services. In the 2014 study, as in the 2012 study, Nevada was identified as having the 6th-lowest average cost of workers' compensation insurance out of 51 U.S. jurisdictions.¹⁴ The 2014 study showed Nevada to have an average index rate of \$1.26 per \$100 of insured payroll, whereas the corresponding Nevada index rate presented in the 2012 study was \$1.33 per \$100 of insured payroll.

Exhibit XIV represents Nevada workers' compensation experience reported on the insurers' 2013 NAIC Annual Statements. This information pertains to calendar year 2013, the latest time period for which such data are presently available. Workers' compensation has been a profitable line of business for most of the Nevada insurers, with loss ratios (the ratios of incurred losses to earned premiums) for many companies remaining below 50% in 2013. The largest 25 insurers, writing 58.21 percent of the premium, experienced an overall loss ratio of 44.75 percent, as compared to an overall 2013 loss ratio of 53.04 percent for all Nevada workers' compensation private insurers in the traditional (non-self-insured) market. The low loss ratios generally suggest that current workers' compensation rates are highly adequate and conducive to continued insurer solvency.

¹⁴ An interactive map showing relative state rankings from the 2014 Oregon Workers' Compensation Premium Rate Ranking Study can be found at http://www.cbs.state.or.us/external/dir/wc_cost/map.html. A summary of the study report, including a table of state rankings, can be found at http://www.cbs.state.or.us/external/dir/wc_cost/files/report_summary.pdf.

The HHI for workers' compensation companies in Nevada in 2013 was 0.0215. The HHI for workers' compensation groups in Nevada in 2013 was 0.0520. This suggests that the workers' compensation market in Nevada is highly un-concentrated in both absolute and relative terms.

Title Insurance

Title insurance is a contract in which the title insurance company, in exchange for a one-time premium at close of escrow, protects against future losses resulting from defects in the title to real property that exist at the time of purchase but are unknown or undisclosed. Rather than providing protection for unknown future events, title insurance provides protection from future losses because of events that have already occurred (such as a mechanic's lien or a forgery in the chain of title). If there is a claim on the title due to a defect in the title that existed at the time of policy issuance, the title insurer will defend the property owner in court and if necessary, pay the damages incurred. Before issuing the policy, title insurers eliminate risks and prevent losses in advance through extensive searches of public records and thorough examination of the title. Because of this, the majority of title insurance premium is used for expenses rather than losses, and loss ratios are usually very low.

Since the "2013 Insurance Market Report", there has been little change in the title insurance market. In 2011, two insurance groups comprising three companies held 75 percent of the title insurance market, with nine companies making up the rest. In 2013, the four companies in those same two largest insurance groups held 71 percent of the market, with nine companies making up the rest.

Nevada title insurance revenue in the form of earned premiums decreased from \$166 million to \$139 million between 2009 and 2012 but rose back to \$162 million in 2013. Historically, loss ratios for title insurance have been very low – often less than 10% – however, they have increased in the last 5 years, fluctuating between 15% and 28%.

The Division recommends that consumers shop around for the agent that is right for them. Nevada law prohibits requiring the use of a particular agent or insurer as a condition of the sale or loan. The buyer always has a choice. To help buyers in navigating their options, the Division has developed a title and escrow consumer education section¹⁵ on its website. It includes a brief explanation of how title insurance works, the "Consumer's Guide to Title Insurance"¹⁶, instructions for sending in a complaint or filing it online¹⁷, and the new Title Insurance Rate Comparison tool¹⁸. This tool allows consumers to enter information about a property (purchase price, down payment, county, and whether it is a short sale) and receive a list of title agencies operating in the county, the title insurers they write for, and the costs of an owner's policy of title insurance, a simultaneously issued lender's policy of title insurance, and the escrow/closing fees. The tool has a similar comparison for refinance transactions.

¹⁵ "Title Insurance – You have a choice" - <http://doi.nv.gov/Consumers/Title-Insurance/>

¹⁶ "Consumer's Guide to Title Insurance" - http://doi.nv.gov/uploadedFiles/doinvgov/_public-documents/News-Notes/TitleGuide.pdf

¹⁷ File a Complaint - <http://doi.nv.gov/Consumers/File-A-Complaint/>

¹⁸ Search for Title Insurance Rates - <http://titlerates.doi.nv.gov/>



Appendix

EXHIBIT I

State of Nevada
Private Passenger Automobile Insurance
Values of the Herfindahl-Hirschman Index (HHI)
2005-2013

YEAR	PRIVATE PASSENGER AUTOMOBILE	
	COMPANIES	GROUPS
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
2012	0.0521	0.0843
2013	0.0531	0.0860

Source: NAIC I-SITE – Market-Share and Loss-Ratio Summary
Reports by Group and Company, Calendar Years 2005-2013

EXHIBIT II

Private Passenger Automobile Insurance by Premium
Top 25 Insurers – 2013 (Monetary figures are in thousands of dollars.)

RANK	NAIC GROUP CODE	NAIC CO CODE	COMPANY NAME	STATE OF DOMICILE	DIRECT PREMIUM WRITTEN	DIRECT PREMIUM EARNED	DIRECT LOSS INCURRED	PURE DIRECT LOSS RATIO	MARKET SHARE
1	176	25187	State Farm Mutual Automobile Insurance Company	IL	\$263,046	\$256,144	\$162,355	63.38%	15.17%
2	69	21687	Mid-Century Insurance Company	CA	\$167,355	\$170,310	\$93,456	54.87%	9.65%
3	8	29688	Allstate Fire & Casualty Insurance Company	IL	\$111,030	\$110,602	\$70,110	63.39%	6.40%
4	1278	37770	Western United Insurance Company	IN	\$100,681	\$100,718	\$68,917	68.43%	5.81%
5	155	38628	Progressive Northern Insurance Company	WI	\$93,248	\$92,125	\$62,471	67.81%	5.38%
6	155	16322	Progressive Direct Insurance Company	OH	\$79,347	\$77,741	\$51,923	66.79%	4.58%
7	31	41491	GEICO Casualty Company	MD	\$76,310	\$66,650	\$55,383	83.10%	4.40%
8	473	19275	American Family Mutual Insurance Company	WI	\$56,476	\$56,773	\$54,258	95.57%	3.26%
9	200	25941	United Services Automobile Association	TX	\$46,646	\$46,372	\$29,702	64.05%	2.69%
10	31	35882	GEICO General Insurance Company	MD	\$45,058	\$45,570	\$32,532	71.39%	2.60%
11	176	25143	State Farm Fire & Casualty Company	IL	\$36,663	\$35,615	\$25,564	71.78%	2.11%
12	111	36447	LM General Insurance Company	IL	\$35,097	\$28,147	\$22,199	78.87%	2.02%
13	200	25968	USAA Casualty Insurance Company	TX	\$30,171	\$29,881	\$20,134	67.38%	1.74%
14	169	13137	Viking Insurance Company of Wisconsin	WI	\$29,685	\$29,528	\$22,670	76.77%	1.71%
15	111	23035	Liberty Mutual Fire Insurance Company	WI	\$28,801	\$31,097	\$25,443	81.82%	1.66%
16	91	37478	Hartford Insurance Company of the Midwest	IN	\$27,201	\$26,719	\$20,274	75.88%	1.57%
17		10730	American Access Casualty Company	IL	\$26,096	\$23,471	\$16,488	70.24%	1.50%
18	111	39012	Safeco Insurance Company Of Illinois	IL	\$25,808	\$22,530	\$11,523	51.15%	1.49%
19	8	19232	Allstate Insurance Company	IL	\$25,019	\$26,079	\$10,939	41.95%	1.44%
20	31	22055	GEICO Indemnity Company	MD	\$23,369	\$24,079	\$12,872	53.46%	1.35%
21	31	22063	Government Employees Insurance Company	MD	\$18,429	\$18,718	\$13,453	71.87%	1.06%
22	3495	11738	Infinity Auto Insurance Company	OH	\$17,684	\$18,613	\$12,102	65.02%	1.02%
23	3548	27998	Travelers Home & Marine Insurance Company	CT	\$16,232	\$17,168	\$11,856	69.05%	0.94%
24	408	28401	American National Property And Casualty Company	MO	\$14,470	\$14,650	\$11,093	75.72%	0.83%
25	8	30210	Esurance Property & Casualty Insurance Company	CA	\$13,651	\$11,821	\$10,794	91.32%	0.79%
Totals for Top 25 Companies					\$1,407,573	\$1,381,121	\$928,511	69.64%	81.17%
Totals for All 199 Companies (149 active companies)					\$1,734,079	\$1,706,234	\$1,132,518	66.38%	100%

Source: NAIC I-SITE – Market Share and Loss Ratio Summary Report, Calendar Year 2013

EXHIBIT III

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

RANK	NAIC GROUP CODE	NAIC CO 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 & 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)					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 2013

EXHIBIT IV

Private Passenger Automobile Insurance by Premium
Top 5 Insurance Groups by Market Share in 2011 and 2013
(Monetary figures are in thousands of dollars.)

2013 – Top 5 Groups

RANK	NAIC GROUP CODE	COMPANY NAME	DIRECT PREMIUM WRITTEN	DIRECT PREMIUM EARNED	DIRECT LOSS INCURRED	PURE DIRECT LOSS RATIO	MARKET SHARE
1	176	State Farm Group	\$299,709	\$291,759	\$187,919	64.41%	17.28%
2	69	Farmers Insurance Group	\$190,564	\$194,527	\$105,846	54.41%	10.99%
3	155	Progressive Group	\$182,247	\$179,927	\$119,638	66.49%	10.51%
4	8	Allstate Insurance Group	\$179,160	\$179,042	\$105,264	58.79%	10.33%
5	31	Berkshire Hathaway Group	\$163,166	\$155,017	\$114,241	73.70%	9.41%
Totals for Top 5 Groups			\$1,014,846	\$1,000,272	\$632,908	63.56%	58.52%
Totals for All Groups (79 Active Groups)			\$1,734,079	\$1,706,234	\$1,132,518	66.38%	100%

Source: NAIC I-SITE – Market Share and Loss Ratio Summary Report, Calendar Year 2013

2011 – Top 5 Groups

RANK	NAIC GROUP CODE	COMPANY 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	Progressive Group	\$174,649	\$176,270	\$98,589	55.93%	10.84%
4	155	Allstate Insurance 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

EXHIBIT V

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

State Farm Group

COMPANY	EFFECTIVE DATE	OVERALL RATE CHANGE ¹⁹
State Farm Insurance Companies	01/01/2012	0.00%
State Farm Insurance Companies	02/25/2013	+1.60%, +5.10%
State Farm Insurance Companies	01/01/2013	+0.10%
State Farm Insurance Companies	11/25/2013	+4.40%, +10.70%
State Farm Insurance Companies	11/25/2013	+0.10%

Zurich Insurance Group

COMPANY	EFFECTIVE DATE	OVERALL RATE CHANGE
Mid-Century Insurance Company	02/05/2011	+2.90%
Mid-Century Insurance Company	06/25/2012	+10.10%
Mid-Century Insurance Company	12/12/2012	+3.50%
Mid-Century Insurance Company	06/24/2013	+3.50%
Mid-Century Insurance Company	03/07/2014	+2.20%

Allstate Insurance Group

COMPANY	EFFECTIVE DATE	OVERALL RATE CHANGE
Allstate Fire and Casualty Insurance Company	12/05/2011	0.00%
Allstate Fire and Casualty Insurance Company	06/11/2012	+3.00%
Allstate Fire and Casualty Insurance Company	08/13/2012	0.00%
Allstate Fire and Casualty Insurance Company	11/12/2012	0.00%
Allstate Fire and Casualty Insurance Company	06/10/2013	0.00%
Allstate Fire and Casualty Insurance Company	06/24/2013	0.00%
Allstate Fire and Casualty Insurance Company	12/09/2013	+2.00%

Western United Insurance Company Group

COMPANY	EFFECTIVE DATE	OVERALL RATE CHANGE
Western United Insurance Company	07/01/2014	+4.00%

Progressive Group

COMPANY	EFFECTIVE DATE	OVERALL RATE CHANGE
Progressive Northern Insurance Company	03/03/2012	+3.10%
Progressive Direct Insurance Company	03/23/2012	-1.00%
Progressive Northern Insurance Company	07/06/2012	+2.95%
Progressive Insurance Companies	12/07/2012	+4.90%, +3.90%
Progressive Insurance Companies	05/10/2013	+0.10%, 0.00%
Progressive Direct Insurance Company	05/24/2013	+5.10%
Progressive Northern Insurance Company	03/07/2014	+4.30%
Progressive Northern Insurance Company	06/06/2014	+5.30%

¹⁹ 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.

EXHIBIT VI

State of Nevada - Home Insurance
Values of the Herfindahl-Hirschman Index (HHI)
2005-2013

YEAR	HOME HHI	
	COMPANIES	GROUPS
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
2012	0.0679	0.1028
2013	0.0680	0.1004

Source: NAIC I-SITE – Market-Share and Loss-Ratio Summary
Reports by Group and Company, Calendar Years 2005-2013

EXHIBIT VII

Homeowners' Insurance by Premium – Top 25 Insurers – 2013

(Monetary figures are in thousands of dollars.)

RANK	NAIC GROUP CODE	NAIC CO 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 & Casualty Company	IL	\$98,839	\$97,177	\$44,988	46.29%	20.66%
2	69	21652	Farmers Insurance Exchange	CA	\$32,052	\$30,682	\$13,069	42.60%	6.70%
3	69	21660	Fire Insurance Exchange	CA	\$30,955	\$32,046	\$13,580	42.38%	6.47%
4	1278	10921	ACA Insurance Company	IN	\$29,227	\$29,211	\$15,409	52.75%	6.11%
5	8	17230	Allstate Property & Casualty Insurance Company	IL	\$28,125	\$27,441	\$13,697	49.91%	5.88%
6	473	19275	American Family Mutual Insurance Company	WI	\$17,400	\$17,546	\$10,490	59.79%	3.64%
7	200	25941	United Services Automobile Association	TX	\$16,641	\$16,343	\$6,610	40.45%	3.48%
8	8	19240	Allstate Indemnity Company	IL	\$14,466	\$14,916	\$6,146	41.20%	3.02%
9	3548	27998	Travelers Home & Marine Insurance Company	CT	\$13,924	\$13,658	\$4,791	35.08%	2.91%
10	8	19232	Allstate Insurance Company	IL	\$12,191	\$12,797	\$5,821	45.49%	2.55%
11	111	42404	Liberty Insurance Corporation Country Mutual Insurance Company	IL	\$11,458	\$9,833	\$7,542	76.70%	2.39%
12	50	20990	Country Mutual Insurance Company	IL	\$10,921	\$10,662	\$3,893	36.51%	2.28%
13	91	34690	Property & Casualty Insurance Company of Hartford	IN	\$10,329	\$10,926	\$5,857	53.61%	2.16%
14	69	11185	Foremost Insurance Company of Grand Rapids, MI	MI	\$10,114	\$10,124	\$4,382	43.28%	2.11%
15	200	25968	USAA Casualty Insurance Company	TX	\$8,242	\$8,192	\$4,114	50.22%	1.72%
16	111	24740	Safeco Insurance Company of America	NH	\$7,588	\$7,149	\$2,996	41.91%	1.59%
17	473	20419	Homesite Indemnity Company	KS	\$7,569	\$7,215	\$2,437	33.78%	1.58%
18	111	23035	Liberty Mutual Fire Insurance Company	WI	\$7,066	\$7,572	\$3,559	47.00%	1.48%
19		26905	Century National Insurance Company	CA	\$6,360	\$6,467	\$2,986	46.17%	1.33%
20	71	10759	Universal North America Insurance Company	TX	\$6,320	\$6,183	\$4,196	67.86%	1.32%
21	38	20397	Vigilant Insurance Company	NY	\$6,275	\$6,349	\$831	13.09%	1.31%
22	408	28401	American National Property And Casualty Company	MO	\$6,250	\$5,986	\$2,994	50.02%	1.31%
23	800	13625	Western Mutual Insurance Company	CA	\$5,003	\$5,126	\$2,994	58.41%	1.05%
24	241	26298	Metropolitan Property & Casualty Insurance Company	RI	\$4,560	\$4,610	\$1,149	24.92%	0.95%
25	12	19402	AIG Property Casualty Company	PA	\$3,763	\$3,730	\$1,377	36.92%	0.79%
Totals for Top 25 Companies					\$405,638	\$401,941	\$185,908	45.45%	84.78%
Total All 123 Companies (96 active companies)					\$478,457	\$471,806	\$226,904	48.09%	100%

Source: NAIC I-SITE – Market-Share and Loss-Ratio Summary Report, Calendar Year 2013

EXHIBIT VIII

Homeowners' Insurance by Premium – Top 25 Insurers – 2011

(Monetary figures are in thousands of dollars.)

RANK	NAIC GROUP CODE	NAIC CO 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%
Total All 123 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 IX

Homeowners' Insurance by Premium
Top 5 Insurance Groups by Market Share in 2011 and 2013
(Monetary figures are in thousands of dollars.)

2013 – Top 5 Groups

RANK	NAIC GROUP CODE	COMPANY NAME	DIRECT PREMIUM WRITTEN	DIRECT PREMIUM EARNED	DIRECT LOSS INCURRED	PURE DIRECT LOSS RATIO	MARKET SHARE
1	176	State Farm Group	\$98,839	\$97,177	\$44,988	46.29%	20.66%
2	69	Farmers Insurance Group	\$75,115	\$74,863	\$32,194	43.00%	15.70%
3	8	Allstate Insurance Group	\$57,558	\$57,919	\$27,404	47.31%	12.03%
4	1278	CSAA Insurance Group	\$29,227	\$29,211	\$15,408	52.75%	6.11%
5	111	Liberty Mutual Group	\$28,756	\$26,352	\$15,043	57.08%	6.01%
Totals for Top 5 Groups			\$289,495	\$285,522	\$135,037	49.29%	60.51%
Totals for All Groups (56 Active Groups)			\$478,457	\$471,806	\$226,904	48.09%	100%

Source: NAIC I-SITE – Market Share and Loss Ratio Summary Report, Calendar Year 2013

2011 – Top 5 Groups

RANK	NAIC GROUP CODE	COMPANY 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	CSAA Insurance 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 (74 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

EXHIBIT X

3-Year Homeowners' Insurance Rate-Change History

State Farm Group

COMPANY	EFFECTIVE DATE	OVERALL RATE CHANGE
State Farm Fire and Casualty Company	11/1/2012	0.00%
State Farm Fire and Casualty Company	06/20/2013	3.10%

Zurich Insurance Group

COMPANY	EFFECTIVE DATE	OVERALL RATE CHANGE
Farmers Insurance Exchange	10/16/2014	-0.05%
Farmers Insurance Exchange	9/9/2014	+17.20%
Farmers Indemnity Exchange	9/9/2014	+7.20%

California State Auto Group

COMPANY	EFFECTIVE DATE	OVERALL RATE CHANGE
ACA Insurance Company	5/10/2012	+8.14%
ACA Insurance Company	8/22/2013	+6.00%
ACA Insurance Company	8/22/2014	+2.60%

Allstate Insurance Group

COMPANY	EFFECTIVE DATE	OVERALL RATE CHANGE
Allstate P&C Insurance Company	6/11/2012	+5.00%
Allstate Indemnity Company	7/26/2012	+5.40%
Allstate P&C Insurance Company	6/24/2013	0.00%
Allstate P&C Insurance Company	3/24/2014	+5.00%

American Family Insurance Group

COMPANY	EFFECTIVE DATE	OVERALL RATE CHANGE
American Family Mutual Insurance Co.	10/1/2012	+3.00%
American Family Mutual Insurance Co.	10/1/2013	+2.60%
American Family Mutual Insurance Co.	3/1/2014	0.00%
American Family Mutual Insurance Co.	11/1/2014	+3.00%

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

EXHIBIT XI

Medical Professional Liability Insurance by Premium: Top 25 Insurers - Calendar Year
(Monetary figures are in thousands of dollars.)

RANK	NAIC GROUP CODE	NAIC COMPANY CODE	COMPANY NAME	DOMICILE	DIRECT PREMIUMS WRITTEN	MARKET SHARE	CUMULATIVE MARKET SHARE	DIRECT PREMIUMS EARNED	DIRECT LOSSES INCURRED	PURE DIRECT LOSS RATIO
1	2698	38954	ProAssurance Casualty Company	MI	16,525	20.44%	20.44	16,639	-1,303	-7.83%
2	1282	12754	Medicus Insurance Company	TX	10,591	13.10%	33.54	10,689	5,227	48.90%
3	4789	11260	Nevada Mutual Insurance Company, Inc.	NV	8,036	9.94%	43.48	8,257	3,068	37.16%
4	31	11843	Medical Protective Company	IN	5,495	6.80%	50.28	5,516	797	14.45%
5		12613	Premier Physicians Insurance Company, Inc., a RRG	NV	5,194	6.42%	56.70	5,550	1,112	20.04%
6	158	25054	Hudson Insurance Company	DE	3,581	4.43%	61.13	3,315	-284	-8.57%
7	158	37079	Hudson Specialty Insurance Company	NY	3,487	4.31%	65.45	2,365	42	1.78%
8	12	19437	Lexington Insurance Company	DE	3,071	3.80%	69.24	2,979	13,045	437.90%
9	831	34495	Doctors Company, An Interinsurance Exchange	CA	2,985	3.69%	72.94	3,061	5,866	191.64%
10	218	20427	American Casualty Company Of Reading, PA	PA	1,306	1.62%	74.55	1,284	-328	-25.55%
11		12180	California Medical Group Insurance Company, RRG	AZ	1,200	1.48%	76.04	0	121	0%
12	218	20443	Continental Casualty Company	IL	1,152	1.42%	77.46	1,198	606	50.58%
13	218	31127	Columbia Casualty Company	IL	1,132	1.40%	78.86	1,078	1,243	115.31%
14		35904	Health Care Indemnity, Inc.	CO	1,116	1.38%	80.24	1,116	1,013	90.77%
15		44504	California Healthcare Insurance Company, Inc., RRG	HI	1,010	1.25%	81.49	1,008	26	2.58%
16		11513	Physicians Specialty Ltd., RRG	SC	945	1.17%	82.66	945	1,024	108.36%
17		12539	Nevada Docs Medical RRG, Inc.	NV	768	0.95%	83.61	763	120	15.73%
18		14620	OrthoForum Insurance Company RRG	SC	757	0.94%	84.55	764	644	84.29%
19	2698	14460	Podiatry Insurance Company Of America	IL	714	0.88%	85.43	680	60	8.82%
20		44105	Ophthalmic Mutual Insurance Company RRG	VT	711	0.88%	86.31	716	-147	-20.53%
21	2638	15865	NCMIC Insurance Company	IA	711	0.88%	87.19	710	95	13.38%
22		19348	Capson Physicians Insurance Company	TX	693	0.86%	88.05	610	37	6.07%
23	831	34487	TDC Specialty Insurance Company	DC	689	0.85%	88.90	518	154	29.73%
24	98	24856	Admiral Insurance Company	DE	606	0.75%	89.65	734	1,452	197.82%
25	508	44121	OMS National Insurance Company, RRG	IL	543	0.67%	90.32	494	176	35.63%
Totals for Top 25 Companies					73,018	90.32%		70,989	33,866	47.71%
Totals for All 101 Companies (81 active companies)					80,845	100.00%		78,643	35,454	45.08%

Source: NAIC I-SITE – Market Share and Loss Ratio Summary Report, Calendar Year 2013.

EXHIBIT XII

Approved NCCI Voluntary Loss-Cost Changes and
Assigned-Risk Rate Changes by Industry Group: 2014-2015

INDUSTRY GROUP	VOLUNTARY LOSS-COST CHANGE, 2014	VOLUNTARY LOSS-COST CHANGE, 2015	ASSIGNED-RISK RATE CHANGE, 2014	ASSIGNED-RISK RATE CHANGE, 2015
Contracting	+2.6%	+2.8%	+2.7%	-1.7%
Goods & Services	+5.0%	-3.1%	+5.1%	-7.6%
Manufacturing	+3.2%	+2.3%	+3.3%	-2.2%
Office & Clerical	+0.5%	-0.5%	+0.6%	-5.0%
Miscellaneous	+2.1%	+0.1%	+2.2%	-4.4%
Overall	+3.2%	-0.5%	+3.3%	-5.0%

EXHIBIT XIII

Average Approved Changes in Voluntary-Market
Loss Costs and Assigned-Risk Rates

INDUSTRY GROUP	VOLUNTARY LOSS-COST CHANGE, 2014	VOLUNTARY LOSS-COST CHANGE, 2015
7/1/1999	-8.0%	-8.0%
1/1/2000	+6.4%	+6.4%
7/1/2000	-1.9%	-1.9%
7/1/2001 – First NCCI filings take effect.	-6.0%	+1.1%
7/1/2002	+1.5%	N/A
8/1/2002 for new business, 9/1/2002 for renewals	N/A	-9.8%
1/1/2004	-12.3%	-9.1%
1/1/2005	-6.5%	-6.9%
3/1/2006	-0.3%	-2.6%
3/1/2007	+3.4%	+5.0%
3/1/2008	-10.5%	-10.1%
3/1/2009	-4.9%	-6.0%
3/1/2010	-7.6%	-3.7%
3/1/2011	-3.9%	-2.2%
3/1/2012	+1.0%	-5.2%
3/1/2013	+2.6%	+2.5%
3/1/2014	+3.2%	+3.3%
3/1/2015	-0.5%	-5.0%

EXHIBIT XIV

Worker's Compensation Insurance by Premium: Largest 25 Insurers - Calendar Year 2013

(Monetary figures are in thousands of dollars.)

RANK	NAIC GROUP CODE	NAIC COMPANY CODE	COMPANY NAME	DOMICILE	DIRECT PREMIUMS WRITTEN	MARKET SHARE	CUMULATIVE MARKET SHARE	DIRECT PREMIUMS EARNED	DIRECT LOSSES INCURRED	PURE DIRECT LOSS RATIO
1	922	27847	Insurance Company of the West	CA	19,751	6.39%	6.39%	19,149	10,949	57.18%
2	111	33600	LM Insurance Corporation	IL	16,867	5.45%	11.84%	14,485	12,745	87.99%
3	2538	42376	Technology Insurance Company, Inc.	NH	15,608	5.05%	16.89%	13,583	8,736	64.32%
4	212	16535	Zurich American Insurance Company	NY	11,694	3.78%	20.67%	11,156	7,386	66.21%
5	785	38970	Market Insurance Company	IL	11,316	3.66%	24.33%	8,824	5,078	57.55%
6	3703	44300	Tower Insurance Company of New York	NY	11,265	3.64%	27.97%	12,594	10,991	87.27%
7	12	23841	New Hampshire Insurance Company	PA	10,181	3.29%	31.26%	10,452	1,861	17.81%
8	12	19429	Insurance Company of the State of Pennsylvania	PA	8,663	2.80%	34.06%	7,214	5,377	74.54%
9	12	19410	Commerce & Industry Insurance Company	NY	6,694	2.16%	36.23%	7,143	3,390	47.46%
10	3363	10640	Employers Insurance Company of Nevada	NV	6,580	2.13%	38.36%	7,756	-23,260	-299.90%
11	3363	10346	Employers Preferred Insurance Company	FL	6,453	2.09%	40.44%	6,358	4,345	68.34%
12	2538	12338	Sequoia Indemnity Company	NV	6,147	1.99%	42.43%	6,156	4,091	66.46%
13	3548	25615	Charter Oak Fire Insurance Company	CT	4,768	1.54%	43.97%	4,807	1,812	37.70%
14	38	20281	Federal Insurance Company	IN	4,373	1.41%	45.39%	4,159	820	19.72%
15	91	29459	Twin City Fire Insurance Company	IN	4,189	1.35%	46.74%	4,559	897	19.68%
16	31	20044	Berkshire Hathaway Homestate Insurance Company	NE	3,969	1.28%	48.02%	2,459	2,888	117.45%
17	212	40142	American Zurich Insurance Company	IL	3,920	1.27%	49.29%	4,124	922	22.36%
18	3548	25682	Travelers Indemnity Company of Connecticut	CT	3,902	1.26%	50.55%	3,917	2,414	61.63%
19	212	27855	Zurich American Insurance Company of Illinois	IL	3,643	1.18%	51.73%	2,555	2,234	87.44%
20	91	34690	Property & Casualty Insurance Company of Hartford	IN	3,614	1.17%	52.90%	3,617	1,500	41.47%
21	626	22667	Ace American Insurance Company	PA	3,583	1.16%	54.06%	3,532	6,096	172.59%
22	150	24139	Old Republic General Insurance Corporation	IL	3,394	1.10%	55.15%	2,954	1,839	62.25%
23	626	43575	Indemnity Insurance Company of North America	PA	3,189	1.03%	56.19%	3,033	818	26.97%
24	69	21709	Truck Insurance Exchange	CA	3,130	1.01%	57.20%	2,947	910	30.88%
25	31	38865	California Insurance Company	CA	3,127	1.01%	58.21%	3,127	1,529	48.90%
Totals for Largest 25 Companies					180,020	58.21%		170,660	76,368	44.75%
Totals for All 271 Companies (235 Active Companies)					309,264	100.00%		293,443	155,641	53.04%

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.

2015 INSURANCE MARKET REPORT



Nevada Division of Insurance

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