

State Connected: Positioning State Supervisors for the Post-Pandemic Challenges

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State of the U.S. Industry

- U.S. Insurance industry has been through many challenges since March 2020 – pandemic, natural catastrophes, conflict, inflation, market volatility, etc. – and remained resilient.
- At year end 2022, the **U.S. Property Casualty Industry** had \$995 USD billion in surplus, which was a small decline from 2021 due largely to the impacts of rising inflation and elevated levels of natural catastrophes. Auto insurance was hit particularly hard, which led to the largest underwriting loss for that line of business in more than 10 years. Going forward, the industry looks to rebound as the Federal Reserve takes steps to moderate inflation and insurers update their pricing.
- At the year end 2022 in **Health**, the industry continued its tremendous growth trend as Medicaid enrollment continued to climb and overall premiums surged by more than 10%. Earnings continued to be solid and the industry achieved a record level of surplus at \$213 USD billion. Going forward, regulators will be closely monitoring the impact of the unwinding of the public health emergency, which will greatly reduce the number of consumers qualifying for Medicaid coverage and result in significant movement across plans.
- At the year end 2022 in **Life**, the industry reported solid earnings (\$34.3 billion) in line with the previous year. Direct written premiums and deposits increased 4.7% to \$1.16 trillion largely due to a \$54.8 billion (16.8%) increase in annuities to \$380.7 billion. However, the industry's total capital and surplus declined 3.0% to \$474.7 billion due largely to unrealized losses associated with increased interest rates and market volatility.

State of the U.S. Industry

- Overall, the industry remains very strong with solid levels of reserves and surplus, despite several emerging challenges including:
 - Inflation and rising interest rates
 - Elevated levels of CAT events and climate risk
 - Continued cybersecurity threats
 - Potential for significant shifts in health plan enrollment

NAIC Strategic Priorities

- Climate Risk/Natural Catastrophes and Resiliency;
- Data/Artificial Intelligence, Cybersecurity, and Innovation;
- Insurer Financial Oversight and Transparency;
- Long-Term Care Insurance;
- Marketing of Insurance Products; and,
- Race and Insurance/Protection Gaps and Financial Inclusion

NAIC State Connected Development

- State Connected is the NAIC's new strategic plan for 2023 through 2025. It is the combined vision of the NAIC and its members for enhancing the insurance industry's regulatory framework.
- It has six strategic focus areas: Member Connectivity; Training, Data and Analytics; Consumer Education, Outreach, and Advocacy; Committee Governance and Management; NAIC Operations

Member Connectivity

- Connecting NAIC members and their staff to each other and with NAIC resources, content, and expertise is paramount in preserving the state-based regulation system.
- This system will become even stronger through more individual and collective engagement opportunities among members and their departments. As a result, we secure a higher level of consumer protection for all.

Training, Expertise and Technology

- Delivering valuable training and access to expertise is fundamental to the NAIC's mission. These services provide member jurisdictions with training on a broad range of insurance regulatory subjects and facilitate access to subject matter experts (SMEs) internally, within the membership, and externally.
- Likewise, providing technology infrastructure and application systems to enable greater efficiencies in regulatory processes is a vital NAIC function.

Data and Analytics

- As the official data hub for state/territory insurance regulators for many statutory filings and related reports, the NAIC must remain proficient in collecting and using data from regulated entities.
- Building on the advancement under State Ahead, further development of the NAIC's analytics and analysis capabilities is needed to provide timely and insightful findings.

Consumer Education, Outreach and Advocacy

- State territory insurance departments play an important role in educating and assisting their jurisdictions' citizens.
- Through its members, committees, and staff, the NAIC has substantial resources/expertise that can be marshaled to:
 - Develop, share, and promote relevant consumer information;
 - Help address protection gaps;
 - Respond to the needs of underserved communities; and
 - Help consumers better engage with the industry and navigate the claims process.

Governance and Management and NAIC Operations

- Effective governance and management are important to maintaining the credibility of the NAIC in developing and recommending regulatory policies and standards of practice to state legislatures, as appropriate, to the regulated industry and interested federal agencies.
- For the NAIC to serve as an effective hub for its members, internally, the NAIC operations and structure must be optimized for coordination and collaboration.

Questions?