

**National Conference of Insurance Legislators
Annual Meeting
Phoenix, Arizona**



**Presentation by
Mike Stinziano, PhD, WCP
Joseph L. Petrelli, President
Sharon M. Romano, Vice President
Demotech, Inc.**

**To the
Financial Services & Investment Products Committee
Chair: Senator Bob Hackett, Ohio
Vice Chair: Representative Sam Kito, Alaska**

November 16, 2017

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Section One

NCOIL Resolution in Support of the States' Authority as the Primary Regulator of Insurance Companies

Adopted

*by the NCOIL Financial Services & Investment Products Committee on November 12, 2015,
and by the Executive Committee on November 15, 2015.*

From: NCOIL President Sen. Travis Holdman, IN
Sent: Monday, December 07, 2015 2:50 PM
To: NCOIL President Sen. Travis Holdman, IN
Subject: NCOIL Resolution Supporting State Authority and Competition among Rating Agencies
Importance: High



PRESIDENT: Sen. Travis Holdman, IN
VICE PRESIDENT: Rep. Steve Riggs, KY
SECRETARY: Sen. Jason Rapert, AR
TREASURER: Rep. Bill Botzow, VT

VIA E-MAIL

December 7, 2015

Dear State Legislative Colleague:

On behalf of the National Conference of Insurance Legislators (NCOIL), I am forwarding you an NCOIL *Resolution in Support of the States' Authority as the Primary Regulator of Insurance Companies* (attached)—which NCOIL adopted at its recent Annual Meeting to highlight the success of state oversight and the importance of competition.

The resolution notes that the states have protected consumers and promoted insurer soundness for more than 150 years, and it speaks to the role that rating agencies play in evaluating how well insurers perform. The resolution also, in line with those efforts, encourages state officials to promote competition among the agencies that rate insurers.

Should you have any questions, please contact the NCOIL National Office at 518-687-0178 or at snolan@ncoil.org.

Sincerely,

A handwritten signature in black ink that reads "Travis Holdman". The signature is written in a cursive, flowing style.

Sen. Travis Holdman, IN
NCOIL President

NATIONAL CONFERENCE OF INSURANCE LEGISLATORS (NCOIL)

Resolution in Support of the States' Authority as the Primary Regulator of Insurance Companies

Adopted by the NCOIL Financial Services & Investment Products Committee on November 12, 2015, and by the Executive Committee on November 15, 2015. Sponsored by Rep. Bob Hackett (OH), Del. Harry Keith White (WV), and Rep. Lana Theis (MI)

WHEREAS, protecting consumers and ensuring the safety and soundness of insurance companies operating in the United States have been the prime objectives of state insurance regulation for over 150 years; and

WHEREAS, the states have sole authority for the regulation of the business of insurance as provided under the McCarran-Ferguson Act; and

WHEREAS, state insurance regulation has been successful and effective; and

WHEREAS, state insurance regulation has in place on-going substantive procedures, processes and protocols to license, regulate and supervise insurers; and

WHEREAS, there is no requirement that duly licensed insurance companies be rated and that among those that are, companies make choices about ratings organizations based on management's evaluation of the perceived strengths of each rating organization as it relates to their markets and business models; and

WHEREAS, the test of insurer ratings is whether in the long run the companies perform as expected, and in that regard each of these rating organizations on the whole has a consistent record of accurately gauging the ability of the companies to pay claims and service their customers; and

WHEREAS, an unintended yet direct consequence of designating a single, exclusive insurer rating requirement in laws, statutes, bulletins or other public materials is the diminution of "public regulation by public authority" and an implication of private regulation of insurance; and

WHEREAS, a response to this threat to public regulation is necessary; and

WHEREAS, multiple, competent insurer rating organizations exist;

NOW, THEREFORE, be it resolved that the National Conference of Insurance Legislators urges each state to foster competition in insurer ratings to benefit consumers, duly licensed insurance companies, producers, and other third-party stakeholders by promulgating and embracing insurer rating requirements in laws and regulations that incorporate the enumeration of multiple, competent insurer rating organizations.

AND, BE IT FURTHER RESOLVED that a copy of this resolution will be sent to each state legislature, each state regulator, and the National Association of Insurance Commissioners.

K:NCOIL/2015 docs/2008550a.doc

Section Two

Letters in Support of the Model Law

(With specific permission to publish)

Respondents from P/C & Title Insurance Companies

Andrew R. Drake
President

Arsenal Insurance Corporation (NAIC 11865)

Initial Year of Operation: 2003 **Admitted Assets:** \$ 3,796,276
State of Domicile: IN **States Licensed:** IN

Yrs of Experience: 25

Gregory H. Klaus
CFO

Bar Plan Mutual Insurance Company (NAIC 29513)

Initial Year of Operation: 1985 **Admitted Assets:** \$43,597,000
State of Domicile: MO

Yrs of Experience: 40

States Licensed: AL AK AZ AR CA CO DE DC
FL GA HI ID IL IN IA KS KY
LA ME MD MA MI MN MS MO
MT NE NV NJ NM NY NC ND
OH OK OR PA RI SC SD TN TX
UT VT VA WA WV WI WY

Karen R. McCarthy
President & CEO

Bar Plan Mutual Insurance Company (NAIC 29513)

Initial Year of Operation: 1985 **Admitted Assets:** \$43,597,000
State of Domicile: MO

Yrs of Experience: 22

States Licensed: AL AK AZ AR CA CO DE DC
FL GA HI ID IL IN IA KS KY
LA ME MD MA MI MN MS MO
MT NE NV NJ NM NY NC ND
OH OK OR PA RI SC SD TN TX
UT VT VA WA WV WI WY

Sean D. Mintz
CEO

Centurion Medical Liability Protective Risk Retention Group, Inc. (NAIC 11976)

Initial Year of Operation: 2004 **Admitted Assets:** \$20,793,000
State of Domicile: AZ
States Licensed: AZ CA FL GA MI TX

Yrs of Experience: 15

Mark T. Prechtl
EVP& CEO

Chautauqua Patrons Insurance Company (NAIC 10372)

Initial Year of Operation: 1877 **Admitted Assets:** \$21,680,000
State of Domicile: NY **States Licensed:** NY

Yrs of Experience: 32

John M. Nikolaus
President

Conestoga Title Insurance Company (NAIC 51209)

Initial Year of Operation: 1973 **Admitted Assets:** \$ 20,129,005
State of Domicile: PA

Yrs of Experience: 29

States Licensed: AL DE DC GA IN KY MD MS NJ
OH PA SC TN

Robert Bates
Secretary

Continuing Care Risk Retention Group, Inc. (NAIC 11798)

Yrs of Experience: 40

Initial Year of Operation: 2003 **Admitted Assets:** \$4,013,000
State of Domicile: VT

States Licensed: AZ CA CO CT DE GA HI ID IL
IN IA KS KY LA ME MD MA
MI MO MT NE NV NH NJ NM
NY NC ND OH OK OR PA RI
SD TN TX UT VT VA WA WI
WY

William A. Poppen
General Manager

De Smet Farm Mutual Insurance Company of South Dakota (NAIC 31445)

Yrs of Experience: 48

Initial Year of Operation: 1916 **Admitted Assets:** \$29,565,000
State of Domicile: SD **States Licensed:** SD

Richard A. Reese

Farmers Fire Insurance Company (NAIC 11061)

President & CEO
Yrs of Experience: 46

Initial Year of Operation: 1853 **Admitted Assets:** \$ 28,710,000
State of Domicile: PA **States Licensed:** NY PA

Justin L. Lear
CEO

Farmers Mutual Insurance Company (NAIC 10323)

Yrs of Experience: 23

Initial Year of Operation: 1896 **Admitted Assets:** \$ 4,695,000
State of Domicile: KS **States Licensed:** KS

Patrick J. Lynch
President

First Indemnity of America Insurance Company (NAIC 38326)

Yrs of Experience: 40

Initial Year of Operation: 1978 **Admitted Assets:** \$ 9,963,000
State of Domicile: NJ **States Licensed:** DE GA MD NJ OK PA TX WV

Graham R. Neville
COO & EVP

First Mutual Insurance Company (NAIC 43877)

Yrs of Experience: 56

Initial Year of Operation: 1961 **Admitted Assets:** \$ 6,191,000
State of Domicile: NC **States Licensed:** NC SC TN

Marlene A. Benton
President & CEO

Fulmont Mutual Insurance Company (NAIC 26760)

Yrs of Experience: 47

Initial Year of Operation: 1853 **Admitted Assets:** \$ 3,764,000
State of Domicile: NY **States Licensed:** NY

Robert A. Blackmon
EVP

Gulf Guaranty Life Insurance Company (NAIC 77976)

Yrs of Experience: 20

Initial Year of Operation: 1970 **Admitted Assets:** \$17,885,000
State of Domicile: MS **States Licensed:** AL AR LA MS TN TX

James H. Robertson
President

Gulf Guaranty Life Insurance Company (NAIC 77976)

Yrs of Experience: 35

Initial Year of Operation: 1970 **Admitted Assets:** \$17,885,000
State of Domicile: MS **States Licensed:** AL AR LA MS TN TX

Terry Bawel
President & CEO

Health Resources, Inc. (NAIC 96687)

Initial Year of Operation: 1986 **Admitted Assets:** \$19,399,000
State of Domicile: IN **States Licensed:** IN KY

Yrs of Experience: 25

Bruce Lucas
Chairman & CEO

Heritage Property & Casualty Insurance Company (NAIC 14407)

Initial Year of Operation: 2012 **Admitted Assets:** \$ 626,109,000
State of Domicile: FL **States Licensed:** AL FL GA MS NC SC

Yrs of Experience: 5

Enoch G. Roberts
EVP

Kentucky National Insurance Company (NAIC 29149)

Initial Year of Operation: 1973 **Admitted Assets:** \$ 32,498,000
State of Domicile: KY **States Licensed:** IN KY TN

Yrs of Experience: 50

Dean Meixner
AVP

Laundry Owners Mutual Liability Insurance Association (NAIC 27529)

Initial Year of Operation: 1915 **Admitted Assets:** \$ 16,220,000
State of Domicile: PA **States Licensed:** PA

Yrs of Experience: 26

Scot E. Moore
President

Lighthouse Property Insurance Corporation (NAIC 13207)

Initial Year of Operation: 2008 **Admitted Assets:** \$ 83,939,000
State of Domicile: LA **States Licensed:** LA NC SC TX

Yrs of Experience: 25

Gary L. Schmitt
Treasurer

Lutheran Mutual Fire Insurance Company (NAIC 28134)

Initial Year of Operation: 1928 **Admitted Assets:** \$ 10,600,000
State of Domicile: IL **States Licensed:** IL

Yrs of Experience: 50

Scott Krum
CEO

McMillan-Warner Mutual Insurance Company (NAIC 11036)

Initial Year of Operation: 1898 **Admitted Assets:** \$ 16,493,000
State of Domicile: WI **States Licensed:** WI

Yrs of Experience: 20

Edward Harper
President & CEO

Mid-Hudson Co-Operative Insurance Company (NAIC 35866)

Initial Year of Operation: 1900 **Admitted Assets:** \$ 26,164,000
State of Domicile: NY **States Licensed:** NY

Yrs of Experience: 15

Christopher Murray
President

Midwest Insurance Group, Inc., a Risk Retention Group (NAIC 11999)

Initial Year of Operation: 2004 **Admitted Assets:** \$6,891,512
State of Domicile: VT **States Licensed:** IL IN IA KY MI NY OH PA TX VT WV

Yrs of Experience: 25

Phillip D. Fraim
President

Oklahoma Attorneys Mutual Insurance Company (NAIC 39411)

Initial Year of Operation: 1980 **Admitted Assets:** \$ 56,926,000
State of Domicile: OK **States Licensed:** OK

Yrs of Experience: 35

Jeffrey B. Scott
CEO

Olympus Insurance Company (NAIC 12954)

Initial Year of Operation: 2007 **Admitted Assets:** \$ 65,029,000
State of Domicile: FL **States Licensed:** FL

Yrs of Experience: 26

Eric L. Gobble
President & Chief Risk Officer

Prepared Insurance Company (NAIC 13687)

Initial Year of Operation: 2009 **Admitted Assets:** \$ 58,263,000
State of Domicile: FL **States Licensed:** FL LA

Yrs of Experience: 30

Stephen Greenfield

PrimeOne Insurance Company (NAIC 13721)

Initial Year of Operation: 2009 **Admitted Assets:** \$ 15,926,000
State of Domicile: UT **States Licensed:** MI UT

President of Operations
Yrs of Experience: 39

Matthew A. Schnader
President/CEO

Reamstown Mutual Insurance Company (NAIC 17728)

Initial Year of Operation: 1895 **Admitted Assets:** \$ 8,608,000
State of Domicile: PA **States Licensed:** PA

Yrs of Experience: 31

Theodore C. Rogers
President

Security Title Guarantee Corporation of Baltimore (NAIC 50784)

Initial Year of Operation: 1952 **Admitted Assets:** \$ 16,748,900
State of Domicile: MD **States Licensed:** AL AR DE DC KY LA ME MD MS
NH NJ NY OH PA SC TN

Yrs of Experience: 34

William C. Spurlin
President

Seniorsfirst Risk Retention Group, Inc. (NAIC 16088)

Initial Year of Operation: 2016 **Admitted Assets:** NA
State of Domicile: NC **States Licensed:** NC

Yrs of Experience: 20

Terrence L. Miller
EVP & COO

SFM Mutual Insurance Company (NAIC 11347)

Initial Year of Operation: 1983 **Admitted Assets:** \$ 574,319,000
State of Domicile: MN **States Licensed:** AZ CO FL IL IN IA KS MI MN
MO MT NE NV OK SD WI

Yrs of Experience: 37

John W. Rollins
Chief Risk Officer

US Coastal Insurance Company (NAIC 15358)

Initial Year of Operation: 2013 **Admitted Assets:** \$ 24,425,000
State of Domicile: NY **States Licensed:** NJ NY

Yrs of Experience: 27

Albert R. Klunick
President

U.S. Insurance Company of America (NAIC 13017)

Initial Year of Operation: 2007 **Admitted Assets:** \$ 6,135,000
State of Domicile: IL **States Licensed:** IL

Yrs of Experience: 44

Jeffrey W. Rice
President & CEO

Wayne Cooperative Insurance Company (NAIC 43290)

Initial Year of Operation: 1877 **Admitted Assets:** \$ 31,626,000
State of Domicile: NY **States Licensed:** NY

Yrs of Experience: 32

Tod J. Carmony
President

Wayne Mutual Insurance Company (NAIC 16799)

Initial Year of Operation: 1910 **Admitted Assets:** \$ 75,396,000

Yrs of Experience: 39

State of Domicile: OH **States Licensed:** OH

Michael Schefstad
CFO

Westcor Land Title Insurance Company (NAIC 50050)

Initial Year of Operation: 1993 **Admitted Assets:** \$ 140,717,508

Yrs of Experience: 28

State of Domicile: CA

States Licensed: AL AZ AR CA CO CT DE DC
FL GA HI ID IL IN KS KY LA
ME MD MA MI MN MS MO MT
NE NV NH NJ NM NY NC ND
OH OK OR PA RI SC SD TN TX
UT VT VA WA WV WI WY

Andrew S. Younker
Vice President, COO

Woodville Mutual Insurance Company

Initial Year of Operation: 1859 **Admitted Assets:**

Yrs of Experience: 10

State of Domicile: OH **States Licensed:**

Jonathon S. Younker
President

Woodville Mutual Insurance Company

Initial Year of Operation: 1859 **Admitted Assets:**

Yrs of Experience: 45

State of Domicile: OH **States Licensed:**

James Madden
President

Work First Casualty Company (NAIC 31232)

Initial Year of Operation: 1936 **Admitted Assets:** \$ 42,265,000

Yrs of Experience: 10

State of Domicile: DE

States Licensed: AL AK AZ AR CA CO CT DE
DC FL GA HI ID IL IN IA KS
KY LA MD MA MI MN MS
MO MT NE NV NJ NM NY NC
ND OH OK OR PA RI SC SD
TN TX UT VA WA WV WI WY

Respondents from Agencies, Program Managers and Other Interested Parties

Anita Champ

Independent Consultant
Yrs of Experience: 28

Anita Champ

Richard S. Cothorn

President
Yrs of Experience: 15

Gulf Guaranty Employee Benefit Services

Steve Acunto

Publisher
Yrs of Experience:

Insurance Advocate

Michael J. Miller

Director Senior Care &
Integration
Yrs of Experience: 30

Insurance Program Managers Group, LLC

Richard P. Bersnak

VP of Commercial Sales & Business
Development
Yrs of Experience: 45

The Keenan Agency

Peter H. Foley

Principal
Yrs of Experience: 40

LILCHA LLC

Mark Harris

President & CEO
Yrs of Experience: 45

Quadrant Insurance Managers

Charles J. Volpe, Esq.

Attorney-in-Fact
Yrs of Experience: 40

Housing & Redevelopment Insurance Exchange

ARSENAL
INSURANCE CORPORATION

Arsenal Insurance Corporation
11711 North Pennsylvania St., Suite 110
Carmel, IN 46032
Phone: 866-232-3041
Fax: 317-571-3333
E-mail: Info@Arsenalins.com
www.Arsenalins.com

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Andrew R. Drake

DATE: October 18, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Arsenal Insurance Corporation, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies. Arsenal Insurance Corporation has been in continuous operation since January 2004. My personal experience in the insurance industry spans over 25 years. I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service. The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings® assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.



Andrew R. Drake
President

THE
BAR PLAN
MUTUAL INSURANCE COMPANY

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Representative Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Gregory H. Klaus

DATE: September 27, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of The Bar Plan Mutual Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

The Bar Plan Mutual Insurance Company has been in continuous operation since January 1, 1986. The company employs 40 employees. My personal experience in the insurance industry spans 40 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is often secondary to the rating opinion published by a single, for profit, privately held rating service.

The willingness of NCOIL and the Financial Services & Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment base of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] as assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me to further discuss this important issue.

Sincerely,

THE BAR PLAN MUTUAL INS. CO.


Gregory H. Klaus, CPA, ARe, AIAF
Chief Financial Officer



October 27, 2017

NCOIL Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

RE: Model Act Requiring Competition among Competent Insurance Rating Agencies

Dear Committee:

On behalf of The Bar Plan Mutual Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

The Bar Plan has been in continuous operation since 1985. The company employs 40 employees. My personal experience in the insurance industry spans 22 years.

I want to share with the committee my personal experience as the President and CEO of a small regional mutual insurance company that primarily writes Lawyers' Professional Liability Insurance. For several years we maintained an independent Financial Stability Rating from A.M. Best. But over the years it became increasingly apparent that A.M. Best was not the best choice for a company like ours.

A.M. Best uses both objective and subjective analyses to determine its ratings. While our company always scored very highly on the objective measures, we were penalized for subjective factors that are common to small regional, mono-line companies like ours. The result was a lower rating even though our objective capital adequacy scores remained strong.

Frustrated that A.M. Best did not fully understand companies like ours, and concerned about the financial and manpower resources we were devoting to the Best ratings process, we sought out alternatives. We discovered that Demotech, Inc. had the longest history of rating companies like ours, and had a proven track record of accurately predicting the long-term financial viability of companies. So The Bar Plan sought a Financial Stability Rating from Demotech and withdrew from A.M. Best.

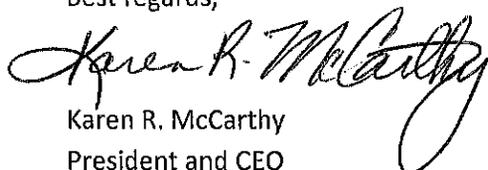
This move to Demotech was the right decision for The Bar Plan. Our policyholders and other stakeholders have a quality, independent source for assurance that we are financially sound and will be here for the long term, and the company has saved valuable time and resources we can use toward our core mission.

But more to the point of this Model Act, we have struggled with certain independent insurance agencies and clients of our insured attorneys who have essentially granted a monopoly to A.M. Best to the exclusion of all other ratings services. This effort by legislators and departments of insurance to identify

and embrace competent rating alternatives will expand competition to the benefit of consumers, and end a practice that permits a single rating agency to have a monopolistic and damaging impact on the marketplace and the companies who choose another ratings service.

We therefore encourage and support this effort to identify competent ratings services and to encourage competition among rating agencies. Thank you, and please feel free to contact me anytime.

Best regards,



Karen R. McCarthy

President and CEO

KRMcCarthy@TheBarPlan.com



518 Peoples Street
Corpus Christi, TX 78401
Phone: 800-774-5087
Fax: 361-726-4400
www.cmlpins.com

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Sean D. Mintz

DATE: September 26, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance
Rating Agencies

On behalf of Centurion Medical Liability Protective, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Centurion has been in continuous operation since 2004. The company employs seven (7) full-time employees. My personal experience in the insurance industry spans fifteen (15) years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings® assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Sincerely,



Sean D. Mintz
Chief Executive Officer

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Mark T. PrechtI, Exec VP/CEO

DATE: October 17, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Chautauqua Patrons Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Chautauqua Patrons Insurance Company has been in continuous operation since 1877. The company employs 16 employees. My personal experience in the insurance industry spans 32 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

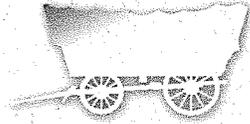
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Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Sincerely yours,

Mark T. PrechtI
Exec VP/CEO



CONESTOGA TITLE INSURANCE CO.

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: John M. Nikolaus

DATE: September 27, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Conestoga Title Insurance Co., I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Conestoga Title Insurance Co. has been in continuous operation since 1973. The company employs 18 employees. My personal experience in the insurance industry spans 29 years.

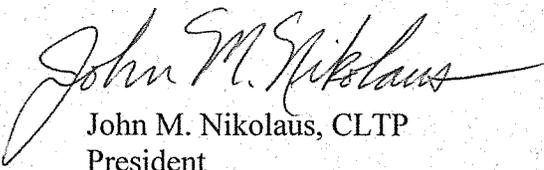
I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

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Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.


John M. Nikolaus, CLTP
President

137-139 East King Street • Lancaster, PA 17602
(717) 299-4805 • (800) 732-3555 • Fax (877) 542-2844
www.contitle.com



**CONTINUING CARE
RISK RETENTION GROUP**

*Member-Owned
Mutual Insurance
Company*

CORRESPONDENCE ADDRESS
716 College Ave.
Suite B
Santa Rosa, CA
95401-1127
707-571-7430 PHONE
707-571-7464 FAX

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Robert Bates, Secretary
Continuing Care Risk Retention Group, Inc.

DATE: 10/18/2017

CONCERNING: Model Act Requiring Competition among Competent Insurance
Rating Agencies

On behalf of Care Continuing Care RRG, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Continuing Care was incorporated in February 2003 and has been in continuous operation since October 2003 when it issued its first policy. CCRRG contracts with services providers that employs dozens of employees. My personal experience in the insurance industry spans Twenty plus years and before that just under Twenty years in the Long Term Care Industry, which is the focus of Continuing Care.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service. In addition, it is me believe that the single, for profits, privately held rating services attempts to leverage its position with Brokers and Insured's who do not always understand the complexity of the rating process. This tends to work against smaller Insurers, such as Continuing Care, organized as a Mutual Insurance Co. and RRG.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings® assigned by Demotech, Inc. The most prominent of which, at least for CCRRG, is when HUD recognized Demotech, Inc. Stability Ratings for purposes of HUD was critical as many Long Term Care Facilities depend on HUD for loans and refinancing and absent an acceptable rating from Demotech, Inc. CCRRG would not be able to offer coverage to a very important segment of its core business.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Robert Bates,

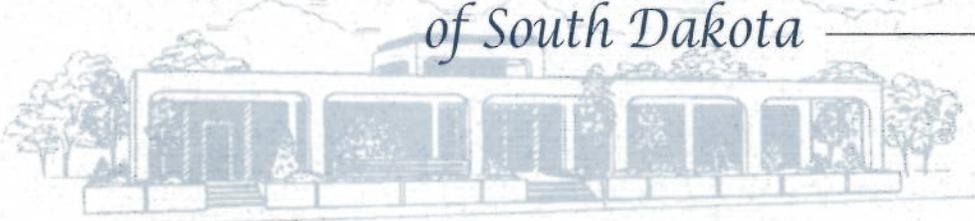


Secretary,
Continuing Care Risk Retention Group, Inc.

De Smet Farm Mutual Insurance Company of South Dakota

P. O. Box 9
De Smet, South Dakota 57231

Phone: 605-854-3337



TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: William A. Poppen

DATE: October 18, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rates of Agencies.

On behalf of De Smet Farm Mutual Insurance Company of South Dakota, I thank the Financial Services and Investment Committee for scheduling a panel discussion on the important topic of competency in insurer ratings.

By way of background, De Smet Farm Mutual Insurance Company of South Dakota has been in continuous operation since 1916. The company employs 56 employees. My experience in the insurance industry spans 48 years, as I began my insurance career in 1970.

I am writing because over my career I have observed an erosion of state regulatory authority related to the acceptability of duly licensed insurance companies and an unsustainable rise in the clout of a single insurer rating agency.

In many situations, such as state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is often secondary to the rating opinion published by a single, for profit, privately held rating service.

The willingness of NCOIL and the Financial Services & Investment Products Committee to examine this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment base of insurers and the independent agencies that they utilize and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings® as assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on the important topic. Please feel free to contact me to further discuss this important issue.

A handwritten signature in blue ink that reads "William A. Poppen". The signature is fluid and cursive.

William A. Poppen
General Manager
De Smet Farm Mutual Insurance Company of South Dakota

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Richard A. Reese

DATE: September 27, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of The Farmers Fire Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

The Farmers Fire Insurance Company has been in continuous operation since May 16, 1853. The company employs 17 employees. My personal experience in the insurance industry spans 46 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Sincerely,

Richard A. Reese
President & CEO
The Farmers Fire Insurance Company
2875 Eastern Blvd.
York, PA 17402

FARMERS MUTUAL INSURANCE COMPANY
16 N. Main – P.O. Box 396
Ellinwood, Kansas 67526-0396
Phone 620-564-3281 Fax 620-564-3555



TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Justin L. Lear, PFMM – CEO Farmers Mutual Insurance Company

DATE: October 18, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Farmers Mutual Insurance Company, Ellinwood Kansas, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Farmers Mutual Insurance Company has been in continuous operation since 1896. The company employs 7 employees and serves approximately 170 independent agencies with around 660 agents/producers represented. My personal experience in the insurance industry spans over 23 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings® assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Mutually yours,

A handwritten signature in black ink that reads "Justin L. Lear".

Justin L. Lear, PFMM
CEO – Farmers Mutual Insurance Company
jlear@fmi-ks.com



FIRST INDEMNITY OF AMERICA INSURANCE COMPANY

2740 State Route 10
Morris Plains, NJ 07950

Fax: (973) 402-0770
(973) 402-1200

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Patrick J. Lynch

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of First Indemnity of America Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

First Indemnity of America Insurance Company has been in continuous operation since 1978. The company employs 20 employees. My personal experience in the insurance industry spans 40 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and the department of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say the certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

A handwritten signature in black ink, appearing to read 'Patrick J. Lynch', is written over a light blue horizontal line.

Patrick J. Lynch,
President



P.O. BOX 410
SMITHFIELD, N.C. 27577

PHONE 919.934.6111
TOLL FREE 855.FMIC.855
FAX 919.934.0004

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Graham R. Neville, CIC, CPIA, FMDC,
COO & EVP
First Mutual Insurance Company

DATE: September 27, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of First Mutual Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

First Mutual Insurance Company has been in continuous operation since 1961. The company employs seven employees. My personal experience in the insurance industry spans 56 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

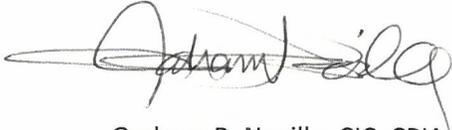
In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Graham R. Neville". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

Graham R. Neville, CIC, CPIA, FMDC,
COO & EVP
First Mutual Insurance Company

FULMONT MUTUAL INSURANCE COMPANY
PO BOX 487
JOHNSTOWN, NEW YORK 12095-0487

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Marlene A. Benton

DATE: September 27, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Fulmont Mutual Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Fulmont Mutual Insurance Company has been in continuous operation 1853. The Company employs 12 employees. My personal experience in the insurance industry spans 47 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

A handwritten signature in black ink that reads "Marlene A. Benton". The signature is written in a cursive, slightly slanted style.

Marlene A. Benton
President and CEO
Fulmont Mutual Insurance Company



GULF GUARANTY LIFE INSURANCE COMPANY

ROBERT A. BLACKMON

Executive Vice President

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Robert Blackmon

DATE: October 20, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Gulf Guaranty Life Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Gulf Guaranty Life Insurance Company has been in continuous operation since 1970. The company employs 25 employees. My personal experience in the insurance industry spans 20 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Robert A. Blackmon
Executive Vice President

P.O. BOX 12409 / JACKSON, MS 39236-2409 / PHONE 601/981-4920



GULF GUARANTY LIFE INSURANCE COMPANY

JAMES H. ROBERTSON

President

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: James H. Robertson

DATE: October 20, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Gulf Guaranty Life Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Gulf Guaranty Life Insurance Company has been in continuous operation since 1970. The company employs 25 employees. My personal experience in the insurance industry spans 35 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

James H. Robertson
President

P.O. BOX 12409 / JACKSON, MS 39236-2409 / PHONE 601/981-4920

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Terry Bawel

DATE: October 18, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Health Resources, Inc., I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Health Resources, Inc. has been in continuous operation since 1986. The company employs 38 employees. My personal experience in the insurance industry spans 25 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Sincerely,

Terry Bawel
President, CEO
tbawel@InsuringSmiles.com

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Bruce Lucas

DATE: October 20, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Heritage Property & Casualty Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Heritage Property & Casualty Insurance Company has been in continuous operation since August 2012. The company employs 308 employees. My personal experience in the insurance industry spans 5 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings® assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.



Bruce Lucas
Chairman & CEO



SEP 30 2017

P. O. Box 55126
Lexington, Kentucky 40555-5126

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Enoch G. Roberts

DATE: September 27, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Kentucky National Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Kentucky National Insurance Company has been in continuous operation since July 3, 1973. The company employs 25 employees. My personal experience in the insurance industry spans 50 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings® assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.


Enoch G. Roberts
Executive Vice President



**TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair**

DATE: October 18, 2017

RE: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Laundry Owners Mutual, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Laundry Owners Mutual has been in continuous operation since 1915. The company employs five employees. My personal experience in the insurance industry spans 26 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings® assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Dean Meixner
Assistant Vice President



TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Scot Moore

DATE: October 19, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Lighthouse Property Insurance Corporation, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Lighthouse Property Insurance Corporation has been in continuous operation since 2008. The company employs approximately 50 employees. My personal experience in the insurance industry spans 25 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Regards,


Scot E. Moore
President

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Gary L. Schmitt, Treasurer – Lutheran Mutual Fire Ins. Co.

DATE: October 18, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Lutheran Mutual Fire Ins. Co., I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Lutheran Mutual Fire Ins. Co. has been in continuous operation for over a century. I have over five decades of experience in the insurance industry.

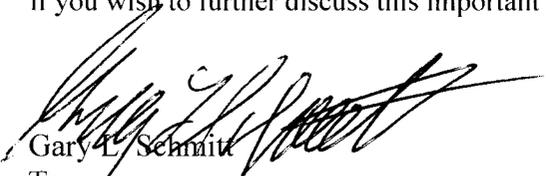
I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.


Gary L. Schmitt
Treasurer



McMillan Warner Mutual Insurance Co.

*"Providing premier insurance protection for peace of mind
while serving the generations of today and tomorrow"*

2510 North Central Avenue, PO Box 429, Marshfield WI 54449
715-387-8454 Phone / 715-387-6646 Fax
www.mcmillanwarner.com

October 6, 2017

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

RE: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of McMillan Warner Mutual Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

McMillan Warner Mutual has been in continuous operation since 1889. The company employs 15 employees. My personal experience in the insurance industry spans 20 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Scott Krum, CEO

SERVICE WITH STABILITY SINCE 1898



TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Edward Harper

DATE: October 19, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Mid-Hudson Co-Operative Group, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Mid-Hudson Co-Operative Insurance Company has been in continuous operation since 1900. The company employs 22 employees. My personal experience in the insurance industry spans 15 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the



past thirty years absent the support available through Financial Stability Ratings® assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Regards,

Edward Harper
President & CEO



A risk retention group.

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Chris Murray

DATE: October 18, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Midwest Insurance Group Inc, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Midwest Insurance Group Inc. has been in continuous operation since July 2004. The company employs no employees. My personal experience in the insurance industry spans 25 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an

5875 Castle Creek Parkway North Drive, Suite 215
Indianapolis, IN 46250
Phone: 317.575.4440 Fax: 317.575.4454 Toll Free: 800.723.7475
www.midwestrrg.com



A risk retention group.

impossible task over the past thirty years absent the support available through Financial Stability Ratings® assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

A handwritten signature in blue ink, appearing to read "Christopher Murray", is written over the typed name and title.

Christopher Murray
President

5875 Castle Creek Parkway North Drive, Suite 215
Indianapolis, IN 46250
Phone: 317.575.4440 Fax: 317.575.4454 Toll Free: 800.723.7475
www.midwestrg.com

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Phillip D. Fraim

DATE: 10/19/2017

CONCERNING: Model Act Requiring Competition Among Competent Insurance Rating Agencies

On behalf of Oklahoma Attorneys Mutual Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Oklahoma Attorneys Mutual Insurance Company has been in continuous operation since November 1980. The Company employs 12 employees. My personal experience in the insurance industry spans 35 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service. Often, a single rating agency harbors bias against certain types and certain size insurers.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings assigned

my Demotech, Inc. It is time for necessary legislation such as this. We need competition among rating agencies, not a monopoly.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.



Phillip D. Fraim
President



TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Jeffrey B. Scott

DATE: October 20, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Olympus Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Olympus Insurance Company has been in continuous operation since May 31, 2007. The company employs 95 employees. My personal experience in the insurance industry spans 26 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Jeffrey B. Scott
CEO



Eric L. Gobble
President and Chief Risk Officer
1715 N. Westshore Blvd. Suite 930
Tampa, FL. 33607
Ph: (813) 286-3730
Fax: (813) 286-3737
www.prepared@preparedins.com

PREPARED INSURANCE COMPANY

October 20, 2017

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Eric L. Gobble

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Prepared Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Prepared Insurance Company has been in continuous operation since September 2009 and employees 36 people. My personal experience in the insurance industry spans 30 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Kind Regards,

Eric Gobble

Be Protected. Get Prepared.

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TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Stephen Greenfield

DATE: September 26, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of PrimeOne Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

PrimeOne Insurance Company has been in continuous operation since October 12, 2009. The company employs 10 employees. My personal experience in the insurance industry spans 39 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

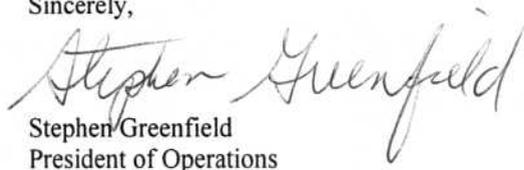
In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Sincerely,


Stephen Greenfield
President of Operations



REAMSTOWN MUTUAL INSURANCE COMPANY

20 S. Reamstown Road
PO Box 477
Reamstown, PA 17567

toll free 1-888-764-7232
717-336-6962
fax 717-336-5764
www.rmins.com

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

*Working with you
on all levels*

FROM: Matthew A. Schnader, President/CEO

DATE: October 18, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Reamstown Mutual Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

The Reamstown Mutual Insurance Company has been in continuous operation since 1885, and employs 12 employees. My personal experience in the insurance industry spans 31 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

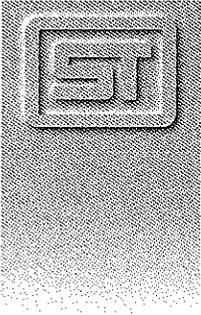
The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Respectfully,

Matthew A. Schnader
President/CEO
Reamstown Mutual Insurance Co



THE
SECURITY TITLE GUARANTEE CORPORATION OF BALTIMORE

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Theodore C. Rogers, President
The Security Title Guarantee Corporation of Baltimore

DATE: October 5, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of The Security Title Guarantee Corporation of Baltimore, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Security Title is celebrating its 65th year of operation, having been founded in Baltimore, Maryland as a single state, privately held title insurer in 1952. We now operate in over 15 states through more than 450 independent agents. My personal experience in the insurance industry spans more than 34 years.

I am writing because, over my career, I have personally observed and experienced the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of reliance on the assessment of privately-held, insurer rating agencies.

Unlike state insurance regulators who follow state statutes adopted only after thorough debate by regulators, legislators, consumers, insurance industry members, and other interested parties, the evaluation "tools" used by these rating agencies are hidden from the public, the insurance industry and regulators alike and favor large, national insurers at the expense of smaller, but well-managed, single state and regional insurers. In many situations, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators and departments of insurance to embrace a variety of competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.



TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: William C. Spurlin

DATE: 10/19/2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of SeniorsFirst Risk Retention Group Inc., I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

SeniorsFirst Risk Retention Group Inc. has been in continuous operation since January 1, 2017. The company employs five employees. My personal experience in the insurance industry spans twenty years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings® assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.



William C. Spurlin
President

SeniorsFirst Managers • 63 Interlaken Rd. Orlando FL 32804
1-888-443-2171 • (F) 407-955-4260



Terrence L. Miller, CPA, CFA
Executive Vice President and Chief Operating Officer

October 19, 2017

National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair
2317 NJ-34 #2b
Manasquan, NJ 08736

Re: Model Act Requiring Competition among Competent Insurance Rating Agencies

Dear Legislators:

On behalf of SFM Mutual Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

SFM Mutual has been in continuous operation since October 1, 1983. The company employs 252 employees. My personal experience in the insurance industry spans 37 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, awarding of assigned risk pools' third party administration contracts, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings® assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

With kind regards,

Terrence L. Miller
Executive Vice President and Chief Operating Officer



TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: John W. Rollins

DATE: October 20, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of US Coastal Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies. US Coastal has been in continuous operation since 2014, providing tens of thousands of coastal homeowners peace of mind. The company is supermajority owned by the managers of Cabrillo Holdings; our Managing General Agent, Cabrillo Coastal General Insurance Agency, LLC, employs 115 professionals. My own experience spans 27 years in the industry, and our other senior staff have similar seasoning.

Over my career, I have become concerned with the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies due to increasing dependence upon a single, privately-held, insurer rating agency. In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, and access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing has been effectively eclipsed by the rating opinion published by a single rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they use as producers, and end a practice that permits a one-size-fits-all insurer rating agency to potentially erode the primacy and authority of state regulation.

Identification of competent rating services should rely in part on observations of their track records in the marketplace. As a coastal property insurance executive since 1999, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced fewer insurance choices and potentially higher premiums over the past two decades absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Sincerely,

A handwritten signature in black ink that reads "John W. Rollins". The signature is fluid and cursive, with a long horizontal stroke at the end.

John W. Rollins, FCAS, MAAA
Chief Risk Officer
Cabrillo Coastal General Insurance Agency, LLC



TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Al Klunick

DATE: October 18, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of U.S. Insurance Company of America, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

U.S. Insurance Company of America has been in continuous operation since September 2007. The company employs 10 employees. My personal experience in the insurance industry spans 44 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings® assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

A handwritten signature in black ink, appearing to read "Albert R. Klunick".

Albert R. Klunick
President

3131 Greenhead Drive, Springfield, IL 62711 • Phone 217-391-5252 • Fax 217-391-8742

usicoa.com

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Jeffrey W. Rice

DATE: October 23, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of the Wayne Cooperative Insurance Company (Clyde, NY), I thank the Financial Services and Investment Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

By way of background, Wayne Cooperative has been in continuous operation since 1877. The company currently employs 20 employees. We are licensed as an assessment cooperative mutual insurance company with a policy count at 12/31/2016 totaling 27,984 in the Upstate NY region. My experience in the insurance industry spans over 30 years, as I began my insurance career in 1985.

I am writing because over my career I have observed an erosion of state regulatory authority related to the acceptability of duly licensed insurance companies; the reliance of rating agency commentary required as a part of the state examination process and an unsustainable rise in the influence of a single, for profit, privately held insurer rating service provider. I feel that our corporate strategic operating decisions must be based on an analyst's potentially short-term perspective rather than what may appropriate for the long term for our organization or policyholder members.

In many situations, such as state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is often secondary to the rating opinion published by a single, for profit, privately held rating service.

The willingness of NCOIL and the Financial Services & Investment Products Committee to examine this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment base of insurers and the independent agencies that they utilize and end a practice that permits a single, one-size-fits-all insurer rating agency.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings® as assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me to further discuss this important issue.



Jeffrey W. Rice
President/CEO

2017_002a_ncoil.docx

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Tod Carmony, President

DATE: 12 October 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Wayne Mutual Insurance Company, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Wayne Mutual has been in continuous operation since 1910. The company employs 76 employees. My personal experience in the insurance industry spans 39 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

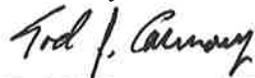
In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings® assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Sincerely,



Tod J. Carmony CPCU



TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Michael Schefstad

DATE: October 5, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Westcor Land Title Insurance Company ("Westcor"), I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Westcor has been in continuous operation since 1993. The company employs 360 employees. My personal experience in the insurance industry spans 28 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

A handwritten signature in blue ink, appearing to read "M Schefstad", is written over a light blue horizontal line.

Michael Schefstad
Chief Financial Officer

National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chairman
Representative Sam Kito, Vice Chairman

October 19, 2017

On behalf of Woodville Mutual Insurance Association, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act enabling open completion among competent insurance rating agencies.

My experience in the insurance industry spans the last ten years. My career began in 2007 when I became an intern with Woodville Mutual Insurance Association while still in college. Today, Woodville Mutual employs five full-time employees including myself, insures over 4,100 members, and has been in continuous operation since 1859.

I am writing because of my concern of the despoliation of the state regulatory authority related to the operation of properly licensed and managed insurance companies/associations and the untenable rise in the influence of a single, privately held, insurance rating agency.

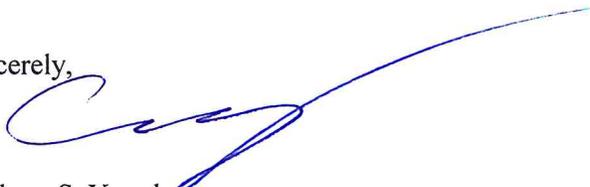
In my succinct career in the insurance industry, I have noticed that more and more management and Board decisions are begin driven by the influence of the potential impact to the Company's rating. I also find that many of the educational seminars I attend now have curriculum focused on how to appease your rating agency, instead of more *important* company operations topics. The perceived importance of one company's "rating" has put a stranglehold on how future business will be conducted. This will result that insurance companies have few differences between them, which will soon erode the competitive advantages companies achieve by differentiating themselves from their competitors.

A single rating agency can, and is superseding the state based regulatory oversight by imposing their requirements onto companies, for a large fee, with the threat of a negative change in ones "rating" by non-compliance. I applaud the willingness of NCOIL and the Financial Services and Investment Products Committee to confront this situation. Your efforts to enable competent insurance rating alternatives will help expand competition in the insurance market place and benefit consumers, companies, and independent agencies alike.

Woodville Mutual has utilized the Financial Stability Ratings available from Demotech, Inc. for over twenty years. This has allowed us to stay viable in the insurance marketplace giving insurance consumers another discrete choice when they looking for property insurance.

Thank you for this opportunity to briefly share my observations on this very important area of concern. Please contact me if you would like more information or would care to discuss this further.

Sincerely,



Andrew S. Younker
Vice President, COO

National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chairman

October 19, 2017

Re: Model Act Requiring Competition among Competent Rating Agencies

On behalf of Woodville Mutual Insurance Association, I wish to thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies. This is very important to small insurance companies and associations.

Woodville Mutual Insurance Association is a farm and dwelling, property only, Mutual Protective Association, licensed to do business solely within the State of Ohio. We have been providing insurance products since 1859, and employ five full-time employees. I am a third generation member of this association and have been in the insurance industry since 1972.

I am now more concerned than ever. Over the course of my career, I have observed the effects of a single, privately held, insurance rating service's influence on the management and operations of insurance companies and associations. Their unbridled, self-appointed, authority comes at the degradation of state regulatory bodies. It also comes with increased costs of complying with their requirements to maintain or improve one's rating. This is especially expensive for smaller insurers, who often rely on outside resources to meet the rating agency's demands.

This is also not good for consumers in general. The availability of many insurance products now is very dependent on the "rating" of the company by a single, for profit, rating service, not the fact that the offering company is duly licensed and in good standing with state regulatory agencies. Access to Excess liability coverage for consumers and Insurance Agents Error and Omissions coverage for agents, are examples of insurance products with limited availability based on their rating, not state regulatory authority. The willingness of NCOIL and the Financial Services & Investment Products Committee to address this situation is critical. Your efforts, along with State Insurance Departments, to identify and encourage competent rating alternatives that will expand competition in the insurance market place. This will greatly benefit consumers and help secure and expand the employment bases of independent agencies and insurers alike. This will also stem the influence of one, privately held, rating agency over the insurance industry and return the primacy of regulation back to the proper State authorities.

As far as identifying competent and competitively priced rating services, Woodville Mutual employs the services of Demotech, Inc. Over the past twenty years, their Financial Stability Ratings service has allowed us to stay competitive in the insurance marketplace. Their rating service has given the insurance consumer one additional choice, when they are looking for domiciliary property insurance.

Thank you for this opportunity to briefly share my observations on this very important area of concern. Please contact me if you would like more information or would care to discuss this further.

Sincerely,



Jonathon S. Younker, President



September 27, 2017

National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

Work First Casualty Company
1100 East 6600 South, Suite 260
Salt Lake City, UT 84121

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Work First Casualty, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Work First commenced business on March 4th, 1936. The company provides workers' compensation insurance that covers many, many thousands of individual workers. My personal experience in the insurance industry spans more than a decade.

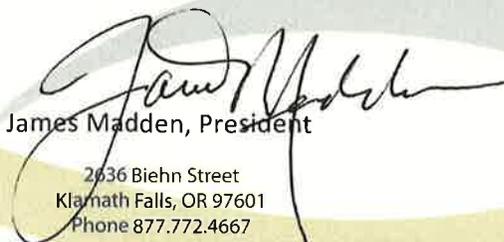
I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.



James Madden, President

2636 Biehn Street
Klamath Falls, OR 97601
Phone 877.772.4667

1100 East 6600 South
Suite 260
Salt Lake City, UT 84121
Phone 877.772.4667

3521 Silverside Road
Quillen Bldg., Suite 2E
Wilmington, DE 19810
Phone 302.477.1710



TO:

National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM:

Anita L. Champ

DATE:

September, 28, 2017

CONCERNING:

Model Act Requiring Competition among Competent Insurance Rating Agencies

I am writing because over my long career in the secondary mortgage market, I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency. I was part of the group that worked with Fannie Mae and Freddie Mac to accept Demotech's ratings in 1989. This resulted in more insurance agencies offering property/casualty insurance in small, underserved niche areas such as Florida which could then be purchased by Fannie or Freddie.

As recent disasters in Florida, the Caribbean, and Houston show, it is imperative that homeowners can obtain appropriate insurance coverage that is acceptable to Fannie and Freddie. It is important that housing financing be available to as many individuals as possible and not be hampered by lack of competition by privately-held rating services. In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Sincerely,

Anita L. Champ
Independent Consultant
703-389-9995



GULF GUARANTY EMPLOYEE BENEFIT SERVICES

RICARD S. COTHERN

President

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Richard Cothorn

DATE: October 20, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Gulf Guaranty Employee Benefit Services, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Gulf Guaranty Employee Benefit Services has been in continuous operation since 1992. The company employs 10 employees. My personal experience in the insurance industry spans 15 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Richard S. Cothorn
President

P.O. BOX 12409 / JACKSON, MS 39236-2409 / PHONE 601/981-4920



October 16, 2017

Senator Bob Hackett
Chairman
National Conference of Insurance Legislators
Financial Services and Investment Products Committee

Dear Senator Hackett:

Greetings.

We write to express our encouragement in your passing of the Model Act Requiring Competition among Competent Insurance Rating Agencies. It is high time.

As Publishers of the oldest continuously published magazine in the insurance business (since 1889), we have held that competition among services, in conjunction with the state regulatory framework is an ideal, pro consumer, pro business measure.

We have all observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of a rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agents' errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. We applaud the concept and we applaud your initiative in this.

With kind regards, I am,

Yours truly,

Steve Acunto
Publisher
Insurance Advocate
1030 Lake Avenue
Greenwich CT 06831



TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Michael J. Miller

DATE: October 18, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Insurance Program Managers Group, LLC, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Insurance Program Managers Group, LLC, has been in continuous operation since 1997. The company employs 140 employees. My personal experience in the insurance industry spans 30 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings[®] assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

Michael J. Miller
Director Senior Care and Integration



THE KEENAN AGENCY
PROFESSIONAL INSURANCE SERVICES

6805 AVERY - MUIRFIELD DRIVE
SUITE 200
DUBLIN, OHIO 43016-7183
(614) 764-7000
FAX (614) 764-7227
www.keenanins.com

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Rick Bersnak

DATE: October 30, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of The Keenan Agency, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

The Keenan Agency has been in continuous operation since 1938. The company employs 17 employees. My personal experience in the insurance industry spans 45 years.

I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

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Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.


Richard P. Bersnak
Vice President of Commercial Sales
and Business Development

LILCHA LLC

Suite 222
1350 Ave of Americas
New York, NY 10019

October 12, 2017

National Conference of Insurance Legislators
Financial Services & Investment Products Committee
2317 Route 34
Suite 2B
Manasquan, NJ 08736

Attn: Representative Bob Hackett, Chairman
Representative Sam Kito, Vice-Chairman

Gentlemen,

I am writing to you as someone who has been working in the Property & Casualty insurance and reinsurance industry for forty years; the last twenty-five years directly involved in starting and operating several specialty carriers. It is of note that eleven years of my career was spent living and working in London with an international focus including the U.S. market.

The carriers referenced were created specifically to meet the insurance needs of such sectors as professional liability, construction, and commercial transportation. Each of these significant industries were confronted with insurance availability challenges because the traditional carriers were not fully meeting the insurance needs of these sectors, both on an availability and risk management basis. The respective businesses in these sectors were facing the prospect of being forced to shut down their business without a creditable insurance solution.

The challenge we confronted was as a new company, though staffed with experienced people, supported by the highest quality of reinsurers, and incorporating a leading risk management program, we were unduly penalized on a growing number of occasions for not having an A.M. Best rating. Since we were a new company, we would not be able to meet the A.M. Best requirements for at least several years.

Working with Demotech, a group which we have known for over twenty-five years, we were able to get a number of these legacy requirements for an A.M. Best rating either removed or modified with a Demotech rating. At times even with the Demotech rating there were a number of public and private entities that would not waive the A.M. Best requirement. In each of these latter situations we would query the reason with the normal response, "that is our

rule” even though we would present clear evidence of the quality of the Demotech process and sustainable rating results.

I want to emphasize that on numerous occasions Demotech staff took the time and went to the expense to work with us and the various third parties to get the changes made to allow for a Demotech rating in lieu of A.M. Best. As noted the process was time consuming and expensive for Demotech and ourselves which at times we were confronted with artificially imposed barriers.

The time is long overdue to allow for alternatives for the companies which I have been involved with as well as many of the new and small to mid-sized specialist carriers to have choices. Just as importantly Demotech has proven beyond any doubt the quality of their rating process, the objectivity they put in place, and the detailed analysis in reviewing companies, whether new or ones that have been in operation for a number of years. These referenced companies are too often overlooked and not given the attention warranted.

In closing I submit to NCOIL’s consideration that Demotech and its highly experienced staff has been without any hesitation a positive contributor to the Property and Casualty industry. With their unparalleled support, we entrepreneurs in the specialty insurance sector would not have been able to achieve our goals without the support of Demotech. Our insureds, shareholders and employees have benefited directly from working with Demotech. Their recommendations and input has been invaluable in our operations.

Competition and a choice of acceptable rating agencies will be a benefit to consumers, a growing number of industry sectors, and the overall insurance industry. Regardless of how good a single dominant rating agency is, it cannot be expected to protect consumers and other third parties nor assume the responsibilities of the regulatory bodies.

Sincerely,


Peter H. Foley
Principal



QUADRANT
INSURANCE MANAGERS

Epoch Underwriting Management Agency Corp.

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chair
Representative Sam Kito, Vice Chair

FROM: Mark Harris

DATE: October 12, 2017

CONCERNING: Model Act Requiring Competition among Competent Insurance Rating Agencies

On behalf of Quadrant Insurance Managers, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

Quadrant Insurance Managers has been in continuous operation since 2004. The company employs 13 employees. My personal experience in the insurance industry spans 45 years.

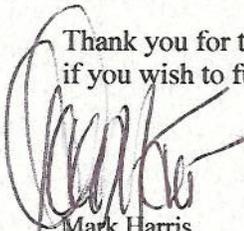
I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation.

Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings® assigned by Demotech, Inc.

Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.



Mark Harris
President / CEO

501 W Schrock Road, Suite 301, Westerville, OH 43081

Phone: 614-841-1425

Fax: 614-841-1426



Housing & Redevelopment Insurance Exchange

TO: National Conference of Insurance Legislators
Financial Services and Investment Products Committee
Senator Bob Hackett, Chairman
Representative Sam Kito, Vice-Chair

FROM: Charles J. Volpe, Esquire, Attorney-in-Fact for HARIE 

DATE: October 31, 2017

CONCERNING: Model Act Requiring Competition Among Competent Insurance
Rating Agencies

On behalf of Housing & Redevelopment Insurance Exchange, (hereinafter "HARIE"), I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies.

HARIE has been in continuous operation since 1986. The company employs 45 employees. My personal experience in the insurance industry spans 40 years.

I am writing because over my career, I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency.

In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single for profit, privately-held rating service. In fact, even if a rating exists from another qualified accredited rating agency, it is given no consideration at all.

The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize and end the practice that permits a single, one size fits all, rating agency to erode the primacy and authority of state regulation.

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Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.

424 Jefferson Avenue • Scranton, PA 18510
(570) 344-1152 • Fax: (570) 347-4401

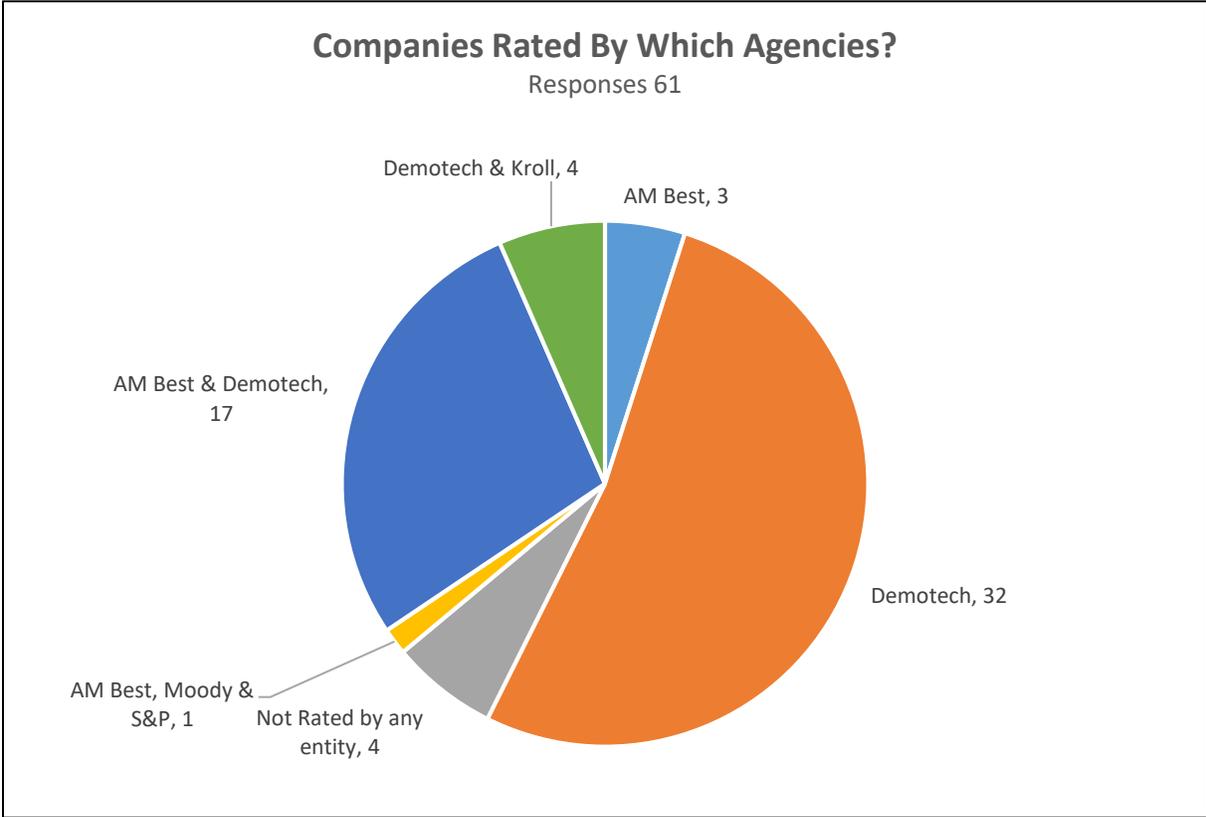
Section Three

Survey Results

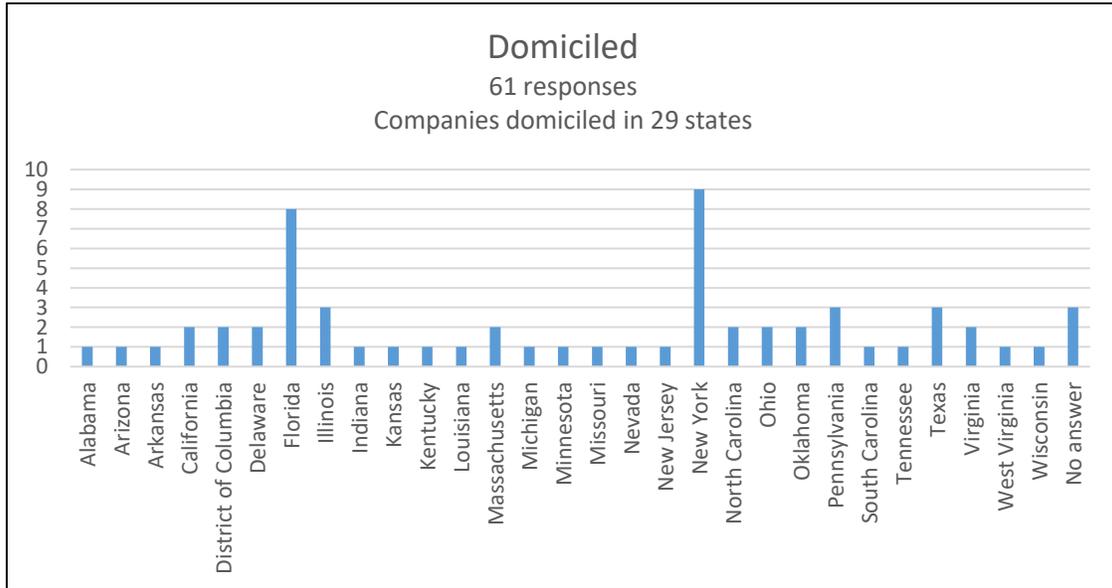
Survey Results

61 Responses

1. Are you currently rated by any of the following? (Check all that apply)

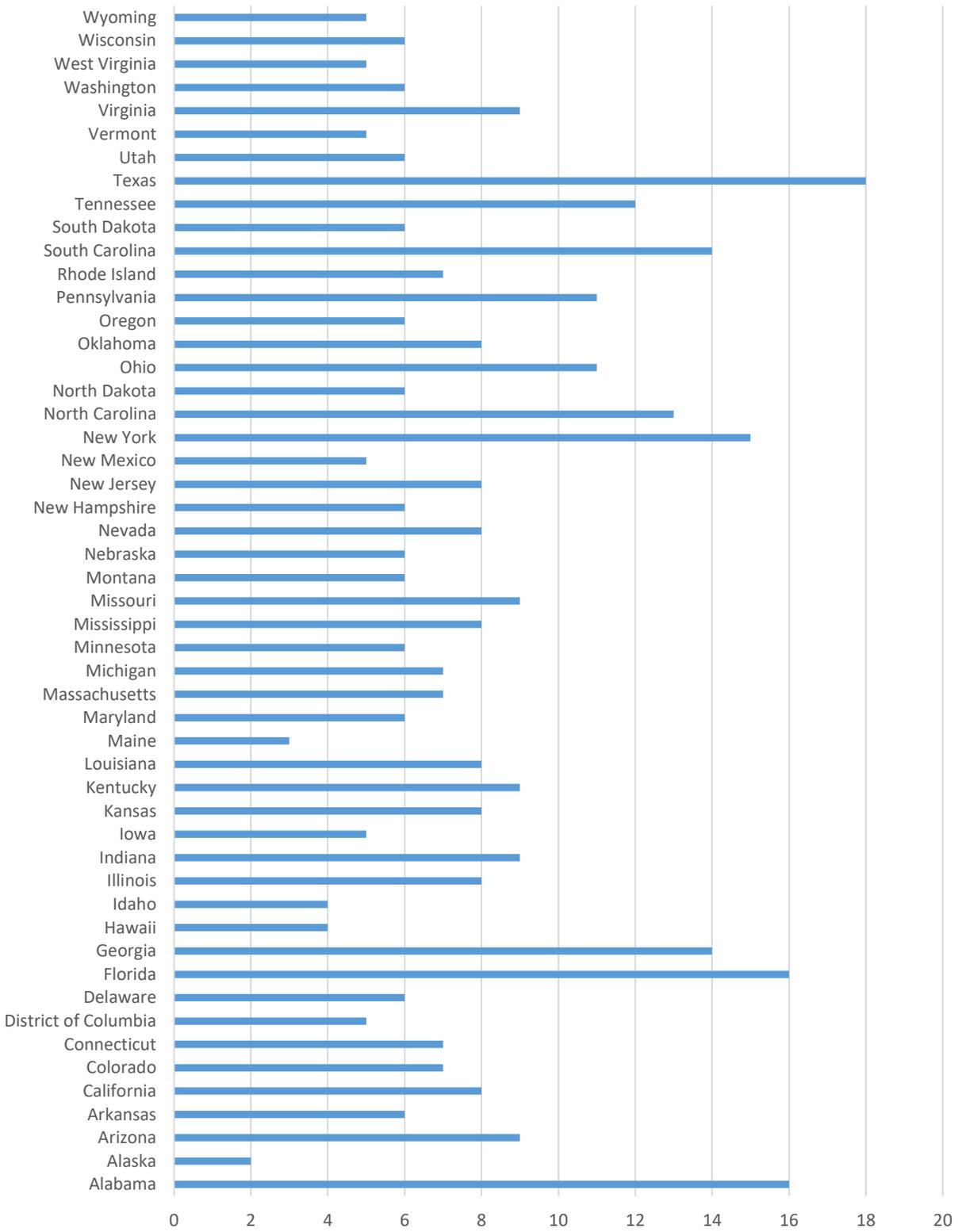


2. In which state is your company domiciled?

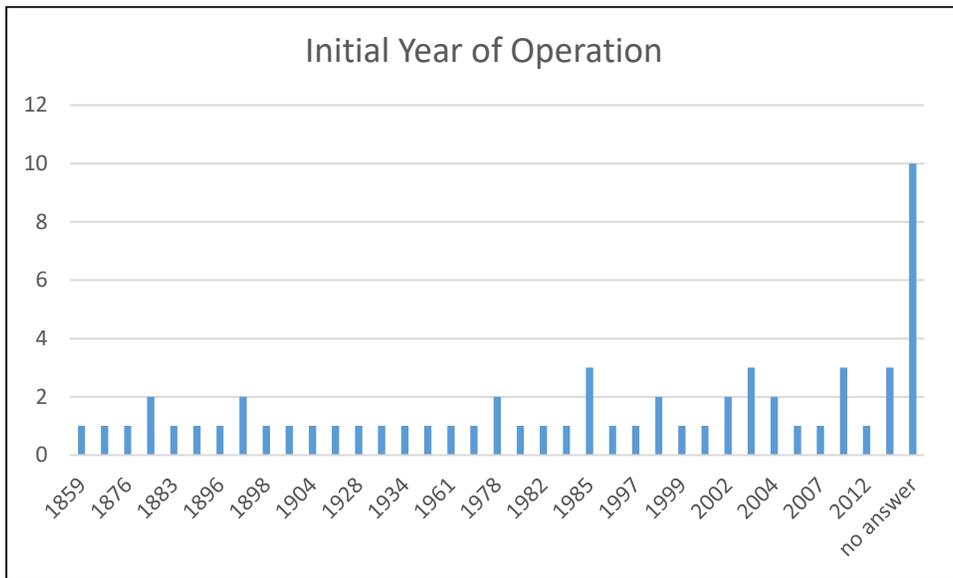


3. In Which States is Your Company Licensed?

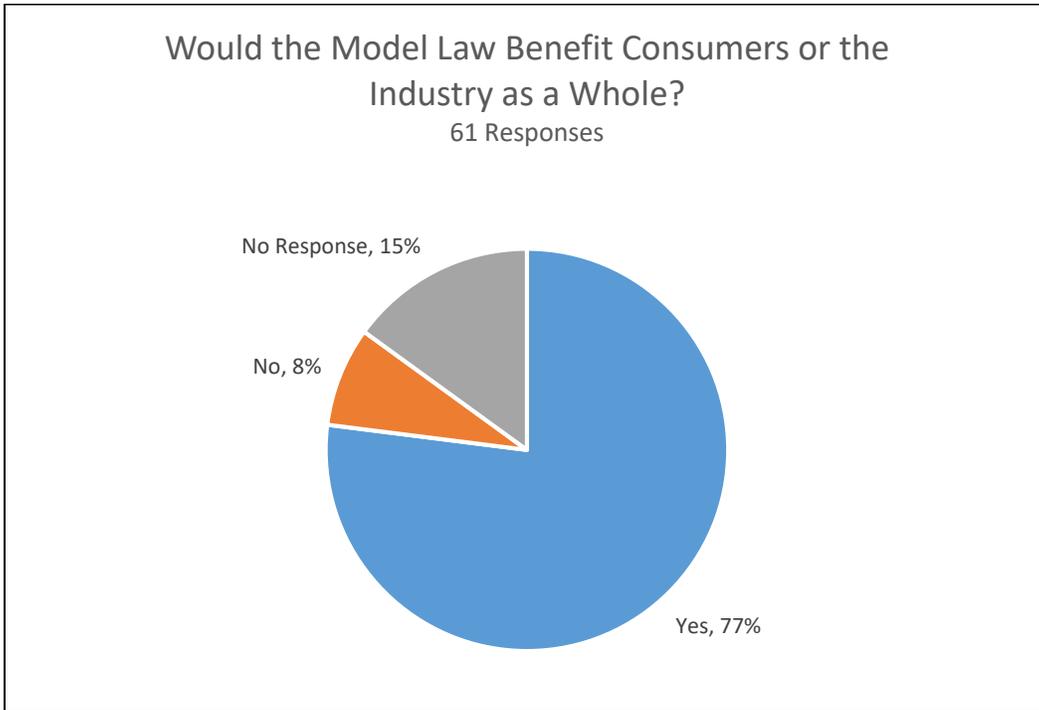
61 responses



4. What was your Company's initial year of operation?



5. Do you believe a Model Law prohibiting public entities from designating the use of a single, exclusive insurer rating requirement in laws, statutes, regulations, rules, bulletins or other public materials would be of benefit to consumers or the insurance industry as a whole?



6. Please feel free to provide any additional comments.

- a) A.M. Best has been successful in branding themselves as "The Rating Agency" for insurance companies. They have a stringent criteria for achieving specific ratings, but at the end they reserve for themselves a subjective approach to the final rating assignment that is biased against smaller companies even though they easily meet or exceed the BCAR for a higher rating. The result is very negative for the companies due to certain regulators, E&O carriers and many larger agencies that have internal policies that preclude doing business with companies below an "A" rating. A.M. Best fails to understand the negative impact this has on smaller, well capitalized and successful companies. We need more competition in the rating agency universe to promote fair consideration and remove some of the subjectivity that is anti-competitive and repressive to smaller companies.
- b) There should be competition amongst rating agencies. A state should not rely on one rating agency.
- c) On behalf of CaseGlide, LLC, I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies. CaseGlide has been in continuous operation since 2013. The company employs 15+ employees. My personal experience in the insurance industry spans nearly 10 years. I am writing because over my career I have observed the erosion of state regulatory authority related to the acceptability of duly licensed insurance companies in favor of an unsustainable rise in the clout of a single, privately-held, insurer rating agency. In many situations, including state licensing requirements, insurance agent's errors and omission insurance coverage requirements, access to umbrella insurance for consumers, to name a few, the fact that an insurer is duly licensed and in good standing is secondary to the rating opinion published by a single, for profit, privately-held rating service. The willingness of NCOIL and the Financial Services and Investment Products Committee to address this phenomenon is an important step forward. This effort by legislators, and by departments of insurance, to identify and embrace competent rating alternatives will expand competition in the insurance marketplace to the benefit of consumers, secure and expand the employment bases of insurers and the independent agencies that they utilize, and end a practice that permits a single, one-size-fits-all insurer rating agency to erode the primacy and authority of state regulation. Toward the end of identifying competent rating services, I can say with certainty that hundreds of thousands of consumers, including our insureds, would have faced an impossible task over the past thirty years absent the support available through Financial Stability Ratings® assigned by Demotech, Inc. Thank you for the opportunity to share my thoughts on this important topic. Please feel free to contact me if you wish to further discuss this important issue.
- d) There are 3 rating agencies whose ratings for hazards insurance are acceptable under Fannie Mae and Freddie Mac underwriting guidelines. Each of the 3 focus on different criteria in assessing a company's financial stability. One in particular focuses almost exclusively on size. This is particularly inappropriate for regional specialty insurers, which fill a much needed void in the market, providing well-priced insurance capacity where larger multi-line insurers often refuse to write. The capital base of these specialty insurers

reflect the size of the need in a given market niche. Having a diverse panel of rating agencies, that focus on different aspects and criteria of financial stability gives consumers a broader spectrum of information to use in assessing the financial stability of an insurer. One size does not fit all, and it would be a mistake, and would likely hurt consumers, to allow for a single, exclusive insurer rating requirement in law.

- e) Insureds want the best coverage available, that isn't always the best rated. Startup without fronting deals that provide rated paper isn't always the best product for the insured.
- f) Not all companies are the same size or structure, thus the rating criteria and which rating organization rates them should not be either!
- g) No such authority should be given legislatively to any private sector entity. The number of unintended consequences is huge. Further, the power centralized in that entity would eventually be abused and lead to less competition in insurance rates due to less insurance companies.
- h) Current situation really hurts small, well-run specialty insurers.
- i) The industry needs to be updated to allow insurers the freedom to access choice in their choice of financial rating.
- j) On behalf of Ameristract Title Insurance Company, Inc., I thank the Financial Services and Investment Products Committee for considering the adoption of a Model Act requiring competition among competent insurance rating agencies. Best Regards, Radni Davoodi
- k) My only concern is the cost
- l) Competition is good and integral to a sound economy.
- m) Competition is good for every industry - better service and competitive pricing all which results in better service to the public
- n) Additional emphasis on the YES in #5 above
- o) Sole sourcing for ratings leads to abuse.
- p) There should be competition, not a monopoly among rating agencies
- q) Although there may be a desire to institute a pure quantitative process approach to evaluate the financial health of carriers, there are many other less quantifiable considerations that may allow carriers to absorb more risk or loss potential than their peers of similar size, but different risk appetites / ability to access capital.
- r) By allowing one single entity to control the rating process for insurers, creates both conflicts and a lack of valid objectivity.

- s) Having worked in the insurance industry for over 40 years I've seen the detriment of public entities only recognizing only one rating agency. This has lead to that rating agency being very difficult and overly demanding to work with. It would be a huge consumer benefit to eliminate the monopoly that has been in place for many years, in my opinion.

Section Four

Executive Summary of *A Comprehensive Examination of Insurer Financial Strength Ratings* by The Florida State University July 2011.

In July 2011, Florida State University's College of Business Risk Management and Insurance published an independent study comparing Demotech Financial Stability Ratings® with insurer ratings issued by A. M. Best, Standard and Poor's, Moody's and Fitch.

The study reviewed thousands of insurer ratings issued over a nine year period. The results were released in *A Comprehensive Examination of Insurer Financial Strength Ratings*.

The study concluded that:

1. *Demotech serves the need of another unique group of insurers, namely those that are geographically focused.*
2. *Comparisons of Demotech ratings to other agencies show relative consistency in the factors that drive Demotech ratings compared to agencies such as A. M. Best, Moody's, Standard and Poor's, and Fitch.*
3. *There is also general consistency in the firms that each agency would categorize as financially secure.*
4. *These results have important public policy implications for insurers, regulators and consumers as they work to better understand the ratings process. Of particular importance to most is the comparability of Demotech ratings to other agencies.*
5. *... the results suggest that Demotech serves an important service within the ratings community and plays a very important role in the insurance market.*



THE FLORIDA STATE UNIVERSITY
COLLEGE OF BUSINESS
The Florida Catastrophic Storm Risk Management Center

A Comprehensive Examination of Insurer Financial Strength Ratings

Executive Summary

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Purpose and Key Findings:

In this study, we explore the potential similarities and differences across insurer financial strength ratings, with a particular focus on Demotech. Demotech differs from the traditional rating agencies in several key ways. First, it provides a provisional (unsolicited) rating to all firms with available financial data each year. If firms choose to finalize the rating, the rating becomes available to the public. Second, Demotech uses less non-publicly available information in the construction of its ratings than other agencies. Finally, there are significantly fewer barriers to obtaining a Demotech rating. As a result, it is easier for smaller, newer, and/or mono-state firms to obtain a Demotech rating than ratings from other agencies. Comparisons of Demotech ratings to other agencies show relative consistency in the factors that drive Demotech ratings compared to agencies such as A. M. Best, Moody's, Standard & Poor's, and Fitch. There also is general consistency in the firms that each agency would categorize as financially secure/stable.

Executive Summary:

Insurer financial strength ratings have been studied by a variety of academic and industry sources. Generally, these studies have found that financial characteristics including capitalization, liquidity, profitability, and firm size are important in determining insurer ratings (e.g., Harmelink, 1974; Pottier and Sommer, 1999; and Gaver and Pottier, 2005). While there is general consistency in the factors found to impact ratings, authors do note some variation across the agencies (e.g., Cantor and Packer, 1997; Pottier and Sommer, 1999; Van Roy, 2006; and Poon, Lee and Gup, 2009). We build on this literature by expanding the work to include a comparison of Demotech ratings to the other more traditional ratings provided by A. M. Best, Moody's, Standard & Poor's (S&P), and Fitch.

The use of Demotech ratings also allows some insight into the potential issues surrounding unsolicited ratings. Much of the prior research in the banking area has suggested that unsolicited ratings are lower than solicited ratings (e.g., Poon, 2003; Poon and Firth, 2005; Poon, Lee, and Gup, 2009). This has not been tested in the insurance area, largely do to the limited use of unsolicited ratings. While the provisional Demotech ratings are not released to the public, they do have many of the characteristics of unsolicited ratings in that they are initiated by the rating agency rather than the insurer and they are based solely on publically available data.

We use a data set of ratings assigned during the period 2000 to 2008 compiled from SNL Financial Database, Demotech, and A. M. Best. We also use operational and financial data on the insurers taken from the National Association of Insurance Commissioners Database. Following Pottier and Sommer (1999), we condense the ratings into five categories using the descriptions provided by the agencies to facilitate comparison across the ratings agencies.

Table 1 provides a summary of the number of insurers rated by each of the rating agencies for the years of our sample.¹ As expected, the most common rating is the Demotech provisional rating as it is compiled for all insurers. A. M. Best and S&P are the most common among the traditional rating agencies.

Table 1 – Number of Ratings in Sample by Year²

Year	Demotech (provisional)	Demotech (final)	AM Best	S&P	Moody's	Fitch
2000	1829	195	200	351	146	73
2001	1712	181	548	366	177	196
2002	1591	185	515	363	174	186
2003	1731	177	518	379	214	212
2004	806	175	516	350	211	248
2005	1452	190	493	365	211	264
2006	1604	207	496	367	198	279
2007	1575	221	498	324	200	307
2008	1605	235	490	279	144	317
Total	13905	1766	4274	3144	1675	2082

¹ Note the total across the rating agencies exceeds the total number of insurer-year observations indicated earlier since insurers are rated by multiple agencies in a given year.

² Note that the number of observations is low for A. M. Best in 2000 and Demotech in 2004. This is due to data limitations. To ensure this is not influencing the results obtained, these two models are repeated excluding these data years from the sample. The unreported results are generally consistent with those presented in the paper.

Based on our sample, about 30 percent of the firms are rated by multiple agencies. A. M. Best has the largest overlap with 27 percent of Demotech-rated insurers also being rated by A. M. Best. The second highest percentage overlap is with S&P at six percent. We further analyzed the subset of 152 firms which held both Demotech (finalized) ratings and A. M. Best ratings during the period. We found that 49 percent held Demotech ratings first while 30 percent held A. M. Best ratings first. Just over two thirds of the firms held both Demotech (finalized) ratings and A. M. Best ratings for multiple years in the sample.

Table 2 provides a summary of the overlap of secure ratings for the firms with Demotech ratings compared to other solicited and unsolicited rating agencies. In general, there is a high degree of overlap across the agencies in what is considered a financial secure insurer.

Table 2 – Overlap of Secure Ratings by Rating Firms*

	Not Secure	Secure	% Agree w/Demotech (Finalized)		Not Secure	Secure	% Agree w/Demotech (Provisional)
AM Best	91	387	81%	AM Best	229	2898	93%
S&P	10	92	90%	S&P	17	2275	99%
Moody's	4	42	91%	Moody's	6	1524	100%
Fitch	1	31	97%	Fitch	12	1212	99%
Unsolicited Ratings				Unsolicited Ratings			
S&P	21	82	80%	S&P	173	843	83%
Fitch	27	163	86%	Fitch	74	1122	94%

* The percentages represent the number of secure-rated Demotech insurers that also have a secure rating with the other agency.

Next, we consider the number of firms with Demotech's provisional rating that elect to finalize those ratings. Table 3 shows that almost all of the insurers that elect to finalize their provisional ratings are A-rated or above.

Table 3

	Provisional	Finalized	% Finalized
A"	2,956	348	12%
A'	4,052	518	13%
A	4,486	889	20%
S	934	11	1%
M	638	0	0%
L	839	0	0%
Total	13,905	1,766	

In the next step of our analysis, we empirically investigate the potential differences in the types of firms that elect to be rated by the different agencies. We consider a variety of factors including whether the firm was rated by other agencies, if the firm is a mono-state insurer, the insurer's business mix, catastrophe exposure, line-of-business concentration, size, financial risk, organizational form, group membership, growth rate, reserving practices, and liquidity.

Given that Demotech's provisional ratings are generally assigned to all firms with available financial information, the comparison of firms with provisional ratings to those electing to finalize ratings is essentially a comparison of Demotech-rated insurers and the industry. Compared to all insurers provided with a provisional rating, insurers that finalize their ratings have lower capital to assets levels as well as a lower level of reinsurance ceded relative to direct premiums written and reinsurance assumed. They also are less profitable and more liquid. Insurers with finalized Demotech ratings also tend to be smaller, younger (based on the *Age Under 10* variable), more geographically and line-of-business focused, and have higher percentages of business in long-tail and personal lines.³ There also appears to be some differences between the characteristics of insurers rated by the different agencies. For example, it appears that a larger percentage of insurers rated by Demotech are mono-state insurers. In addition, these insurers tend to be younger and are generally smaller than insurers rated by the other agencies. This reinforces the expectation that it is likely we will observe some variation in the results obtained when we empirically examine insurers rated by the various agencies. The

³ T-tests indicate differences are statistically significant at the five percent level. For tables of complete results as well as details on the specifications of the models see http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1706318.

results also underscore the importance of using a methodology to compare ratings that controls for the fact that each agency is rating different firms.

To compare the factors important across rating agencies, we use a two-step process known as a Heckman model. We create a set of models for each of the rating agencies. The first stage is a Probit model that identifies whether the insurer was rated by a given agency. The second stage incorporates this information as it models the factors important in developing the financial strength ratings.⁴

First we discuss the results of the probit models that assess what insurers are likely to be rated by a given agency. We find that insurers rated by other agencies are less likely to obtain ratings from Demotech or A. M. Best. This implies that firms with Demotech and A. M. Best ratings are more likely to have a single financial strength rating compared to other agencies. In both cases, there are institutional factors that make this likely. The lower barriers to gaining a Demotech rating may attract insurers that would not otherwise obtain a rating from the other agencies. A. M. Best has traditionally been considered the primary insurer rating agency, and its ratings are well recognized and accepted. Thus, firms with A. M. Best ratings may not have the same motivation to hold multiple ratings as firms with ratings from other agencies. The fact that two of the traditional rating agencies (A. M. Best and S&P) appear to be less likely to rate young insurers serves as further evidence of potential barriers. This variable is not significant for Demotech or Fitch but is significant and positive for Moody's. Combined, this provides initial evidence that the rating requirements and costs may discourage or prevent younger firms from obtaining ratings from the two most common rating agencies.

We also find that insurers that are smaller and those operating in a confined geographic area are more likely to elect to be rated by Demotech than the traditional rating agencies. In addition, the results suggest that Demotech-rated insurers are more likely to be fast-growing and associated with greater level of uncertainty in their lines of operations based on the premium growth and percentage of business written in long-tail lines.

When comparing the results across all of the models, we find that, while there are differences, there does seem to be some consistency in the results. For example, both Demotech and A. M. Best are more likely to rate firms in groups as well as firms with higher loss development ratios compared to S&P and Moody's. Also, with the exception of Demotech, the rating agencies are less apt to rate mutual firms (relative to stocks).

Based on the information in the first stage, we are able to econometrically correct for bias that might arise from different firms being rated by different agencies in our examination of the determinants of financial strength ratings. We consider an array of financial and operational

⁴ Given that all firms with available financial data are given provisional (unsolicited) ratings, there is no need to control for selection bias for Demotech's provisional ratings.

characteristics that are found in prior literature to impact financial ratings. Like prior studies, we find a certain level of variation across firms, however several important patterns emerge. First, as expected, the results are consistent between the provisional and finalized ratings for Demotech for 14 of the 18 factors examined. Thus, the key determinants of ratings are relatively consistent between Demotech's provisional and finalized ratings even though only higher rated firms finalize their ratings and finalized ratings can incorporate additional information from insurers. There also is some consistency between the results of the Demotech provisional ratings model and those of the other rating agencies. Specifically, we find the greatest consistency in the results for A. M. Best which has equivalent results for 12 of the 18 factors when compared to Demotech's finalized (solicited) ratings. Equivalent results for the other models ranged from a low of five for Fitch to a high of seven for S&P. When comparing the solicited ratings of all agencies, insurers with higher ratings are typically associated with stronger capital to asset ratios, higher net income to assets ratios, lower recoverables to surplus ratios, higher reinsurance ceded percentages, larger firm size, faster growth, and greater catastrophe exposure.

These results have important public policy implications for insurers, regulators, and consumers as they work to better understand the ratings process. Of particular importance to most is the comparability of Demotech ratings to those from other agencies. For this reason, both the results related to the degree of overlap between secure Demotech provisional ratings and those of other agencies as well as the consistency of factors impacting the determination of financial ratings is important. For example, with respect to Demotech, we find that generally, only insurers with secure ratings elect to finalize their ratings. Given that lenders often have requirements related to the use of rated insurers and some states require ratings in order for insurers to operate in the state, the results suggest that Demotech provides an important service within the rating community and plays a very important role in the insurance market. This is especially true in markets where relatively young and/or geographically focused insurers are active participants.



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