



MISSISSIPPI INSURANCE DEPARTMENT

Housing Association of Mississippi
Conference- Biloxi, Ms.

NOVEMBER 4, 2022

MIKE CHANEY
COMMISSIONER AND STATE FIRE MARSHAL

Overview of MID

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- ▶ Over 2,300 entities that are either licensed or registered to do business in MS
- ▶ Thirty-six (36) insurers domiciled in MS
- ▶ \$15.8 billion in premium written in MS with over \$300 million in premium tax being sent to the General Fund
- ▶ Over 40,000 agents licensed in MS with over 14,000 being a resident of MS
- ▶ Over 15,00 calls received in our Consumer Services Division
- ▶ Over \$5 million in payments made back to the Consumer

Participation in Key NAIC Committees, Task Forces and Working Groups

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- ▶ Climate and Resiliency (EX) Task Force
- ▶ Long-Term Care Insurance (EX) Task Force
- ▶ Property and Casualty Insurance (C) Committee
 - ▶ Commissioner Chaney is the Chair
 - ▶ Catastrophe Insurance (C) Working Group
 - ▶ Surplus Lines (C) Task Force
- ▶ Anti-Fraud (D) Task Force
- ▶ Financial Condition (E) Committee
 - ▶ Reinsurance Task Force
- ▶ Innovation in Technology and Regulation (H) Working Group

Hot Topics in Insurance Regulation

- ▶ Impacts to the Insurance Industry due to Inflation
- ▶ Cybersecurity in the Insurance Market
- ▶ Impact of Severe Weather
- ▶ Flood Insurance
- ▶ Building Codes

SUMMARY

- **P&C insurance industry is experiencing a sharp increase in claim severities affecting property, liability and auto coverages**
- **Loss ratios are increasing rapidly**
- **Inflation, record/near-record catastrophe losses, demand surge and the increased dangerous driving behaviors are all contributing to the increase in severities and loss ratios**
- **Investment income has been falling in recent years**
- **Given current trends, rate adequacy is a concern**
- **Insurers use current trend data to develop rates prospectively, hence the pressure adjust rates accordingly**



Cybersecurity

Cybersecurity Overview

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- ▶ Has become more significant as critical consumer financial and health information is increasingly stored in electronic form.
- ▶ As people become more reliant on electronic communication, and as businesses collect and maintain ever more granular pieces of information on their customers, the opportunity for bad actors to cause difficulties for businesses and the public is exploding.
- ▶ The increase in virtual work due to the pandemic, data breaches of PHI, ransomware, and supply chain attacks have created major challenges for businesses.
- ▶ Most Commercial liability policies do not cover cyber attacks.

Cybersecurity Overview



- ▶ Data breaches in 2021 increased by 68% from the prior year.
- ▶ Ransomware attacks increased by nearly 93% in 2021.
- ▶ Supply chain attacks increased by nearly 430% in 2021.
- ▶ In 2021, nearly 50 million people in the U.S. faced a breach of their personal health information.
- ▶ Healthcare data breaches have tripled over the past three years.
- ▶ While the healthcare industry experience numerous breaches, businesses in many industries have seen a rapid rise in ransomware and supply chain attacks.
- ▶ These increases in attacks helped contribute to the rise in premiums charged for cyber insurance.

NAIC Cybersecurity Task Force

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- ▶ In 2014, the NAIC created the Cybersecurity Task Force as a result of breaches of consumer data from insurance companies.
- ▶ The main focus of the Task Force is to educate the Consumer as well as work with the industry to develop standards which help protect personally identifiable information.
- ▶ In early 2016 the NAIC began drafting the Insurance Data Security Model Law.
- ▶ The model was adopted by the NAIC in October, 2017 following almost two years of extensive deliberations and input from state insurance regulators, consumer representatives, and the insurance industry.

Insurance Data Security Law

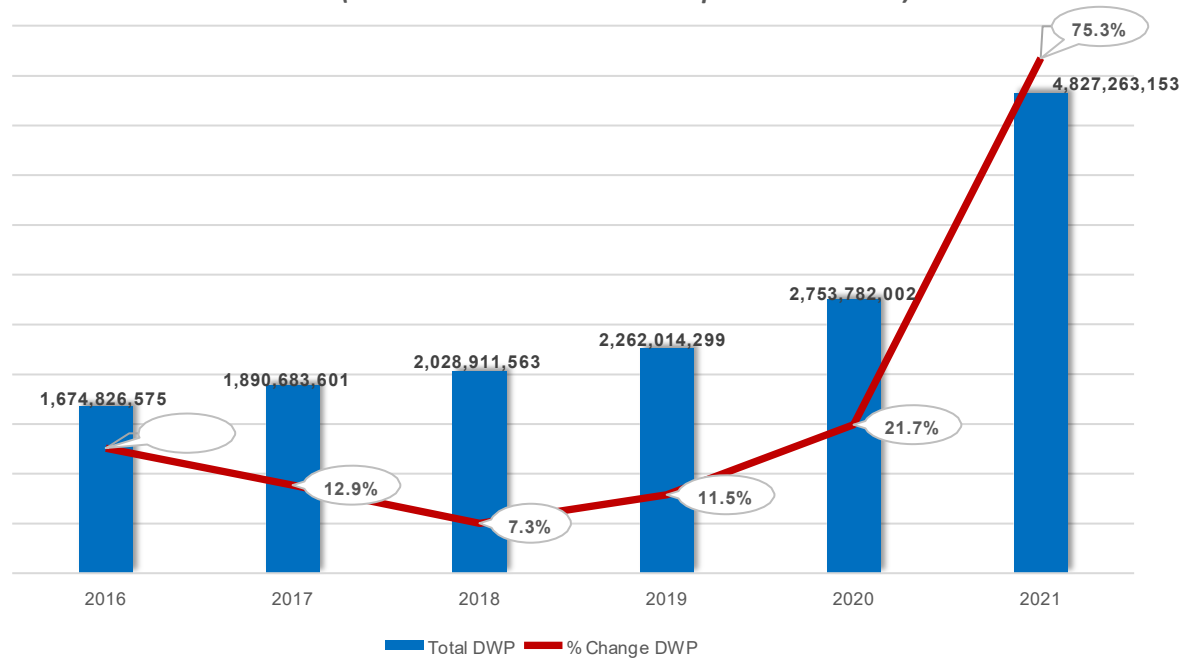
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- ▶ The model requires licensees to develop, implement, and maintain an information security program based on its risk assessment.
- ▶ The model phases in requirements for compliance with the information security program and oversight of third-party service providers.
- ▶ The model also requires licensees to investigate a cybersecurity event, and notify the state insurance commissioner of a cybersecurity event when that event would likely materially harm a MS Consumer.
- ▶ It also grants insurance commissioners the power to examine and investigate licensees to determine compliance with the law, and provides state insurance regulators the authority to remedy data security deficiencies they find during an examination.

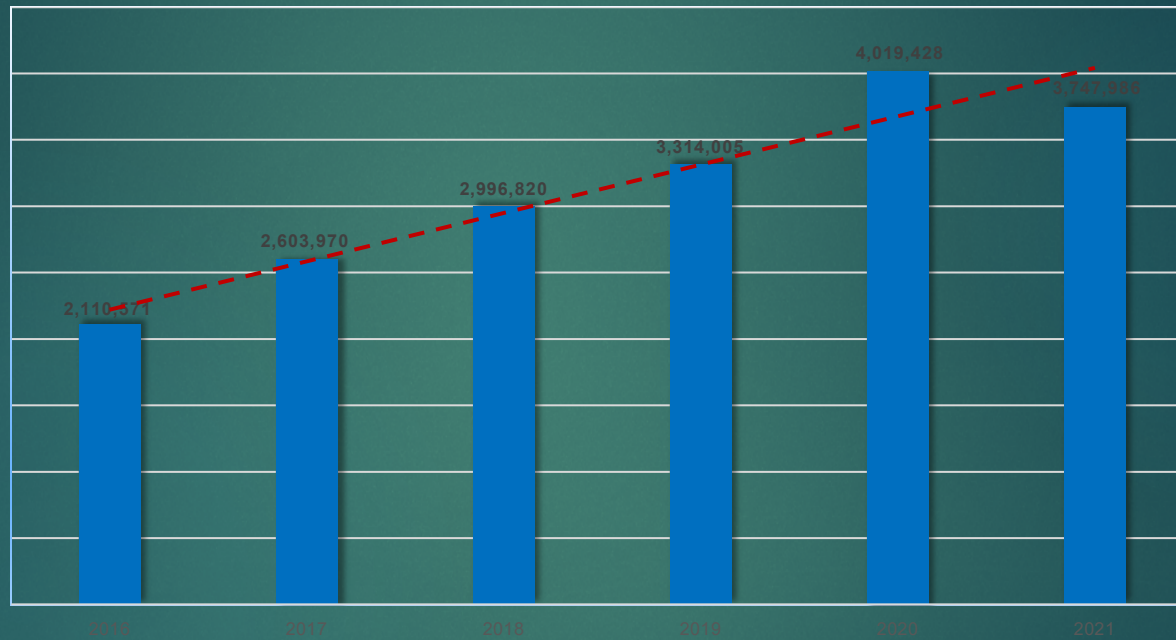
Cybersecurity Notifications Submitted since adoption of Insurance Data Security Law

Year	# of Cybersecurity Events Reported
2020	12
2021	21
2022	14
Total	47

Direct Written Premium and Percent Change by Year
(Does not include Alien Surplus Lines Data)



Total Policies in Force
*(Does not include Alien
Surplus Lines Data)*



**Number of Claims Reported 2017
through 2021 Data Years and Loss
Ratio (Including DCC)
(Does not include Alien Surplus Lines
Data)**



Top 20 U.S. Groups writing standalone and package cyber insurance combined

2021 Rank	2020 Rank	Group Code	Group Name	Direct Written Premium	Loss Ratio	Market Share	Cumulative Market Share
1	1	626	CHUBB LTD GRP	473,073,308	76.9%	11.8%	11.8%
2	8	158	FAIRFAX FINANCIAL	436,447,801	51.9%	7.7%	19.5%
3	2	968	AXA INS GRP	421,013,729	86.5%	9.8%	29.3%
4	11	3098	TOKIO MARINE HOLDINGS INC GRP	249,785,218	43.8%	4.6%	33.9%
5	3	12	AMERICAN INTRNL GRP	240,613,748	130.6%	6.3%	40.2%
6	4	3548	ST PAUL TRAVELERS GRP	232,276,831	72.7%	6.1%	46.3%
7	5	4942	BEAZLEY GRP	200,877,555	38.7%	5.3%	51.5%
8	7	218	CNA INS GRP	181,382,785	87.5%	3.9%	55.4%
9	34	1279	ARCH INS GRP	171,944,995	9.2%	2.1%	57.5%
10	6	3416	AXA CAPITAL GRP	159,059,212	105.2%	2.3%	59.8%
11	13	212	ZURICH INS GRP	151,865,004	76.9%	2.9%	62.7%
12	14	111	LIBERTY MUT GRP	138,216,723	95.2%	2.8%	65.5%
13	12	3219	SOMPO GRP	133,519,577	54.3%	2.7%	68.2%
14	10	23	BCS INS GRP	132,043,119	80.1%	3.2%	71.4%
15	9	91	HARTFORD FIRE & CAS GRP	123,163,166	16.3%	2.9%	74.3%
16	36	361	MUNICH RE GRP	119,989,106	69.0%	1.8%	76.1%
17	25	181	SWISS RE GRP	103,827,837	32.7%	1.8%	77.9%
18	20	501	ALLEGHANY GRP	88,554,222	20.5%	1.3%	79.2%
19	16	98	WR BERKLEY CORP	81,249,260	36.9%	1.8%	81.0%
20	15	31	BERKSHIRE HATHAWAY	71,365,401	-63.4%	1.4%	82.4%

Insights from the Council of Insurance Agents and Brokers (CIAB) 2021 Q4 Report

Premium Increase 34.3% in Fourth Quarter of 2021

- Historical underpricing
- Increase in the frequency and severity of cyberattacks

Underwriting

- Decrease in underwriting capacity
- Stricter underwriting requirements

Insurer Trends

- Reduced cyber limits
- Higher deductibles
- More restrictive terms
- Sublimits for ransomware



Severe Weather and Homeowners Insurance

Severe Weather in Mississippi

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- ▶ The risk of severe weather has a major impact when it comes to insurance.
- ▶ Mississippi is prone to exposure from Tornadoes, Hail Storms and Wind Damage on a yearly basis.
- ▶ Homeowners Insurance plays a vital role in offering protection to the consumer against damage or loss of property.

Top 10 Most Costly Natural Disasters

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The following table shows, in descending order of loss, the 10 most costly insured property U.S. natural catastrophes through 2020.⁷ Three of these were hurricanes that occurred in 2017, including Hurricane Maria.

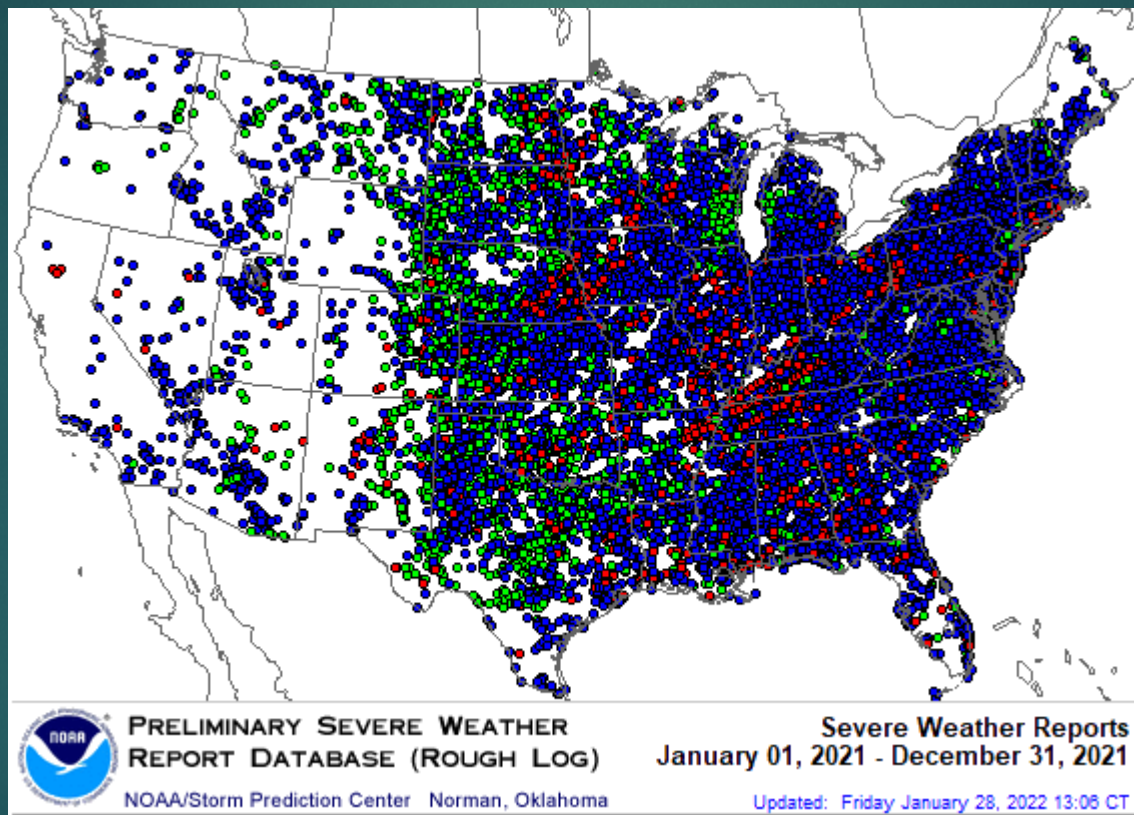
Rank	Year	Peril	Dollars when Occurred (millions)	In 2020 Dollars (millions)*
1	2005	Hurricane Katrina	\$65,000	\$86,570
2	2012	Hurricane Sandy	30,000	33,930
3	2017	Hurricane Harvey	30,000	31,960
4	2017	Hurricane Irma	30,050	31,840
5	2017	Hurricane Maria	29,500	31,300
6	1992	Hurricane Andrew	16,000	29,700
7	1994	Northridge, CA earthquake	15,300	27,370
8	2008	Hurricane Ike	18,200	21,760
9	2012	Drought loss	14,400	16,610
10	2005	Hurricane Wilma	10,666	14,010

Natural disasters that cause at least \$25 million in insured losses; or 10 deaths; or 50 people injured; or 2,000 filed claims or homes and structures damaged. Includes Puerto Rico and the U.S. Virgin Islands. Includes losses sustained by private insurers and government-sponsored programs such as the National Flood Insurance Program. Subject to change as loss estimates are further developed. As of February 23, 2021.

*Adjusted for inflation by Aon using the U.S. Consumer Price Index.

Severe Weather in the U.S. in 2021

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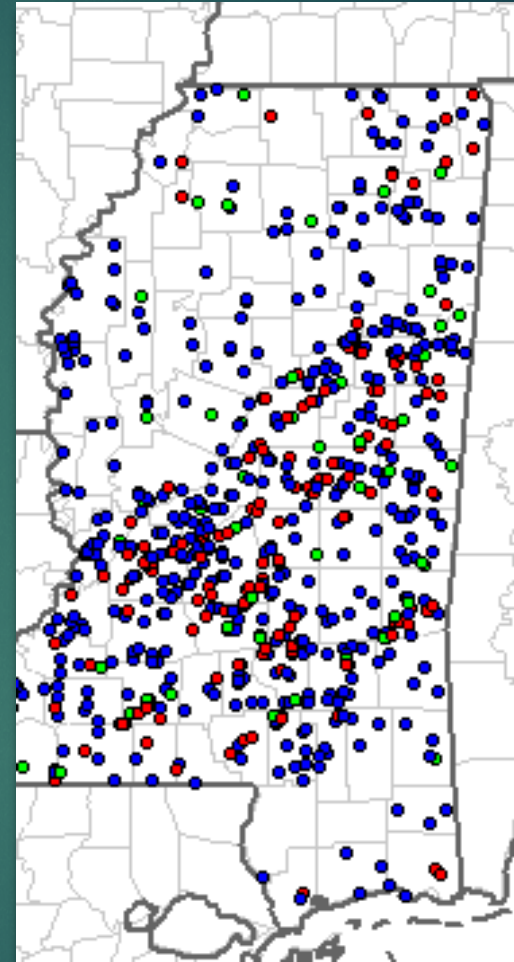
Severe Weather in MS in 2019

Total Reports = 691

Tornadoes = 138

Hail Reports = 56

Wind Reports = 497



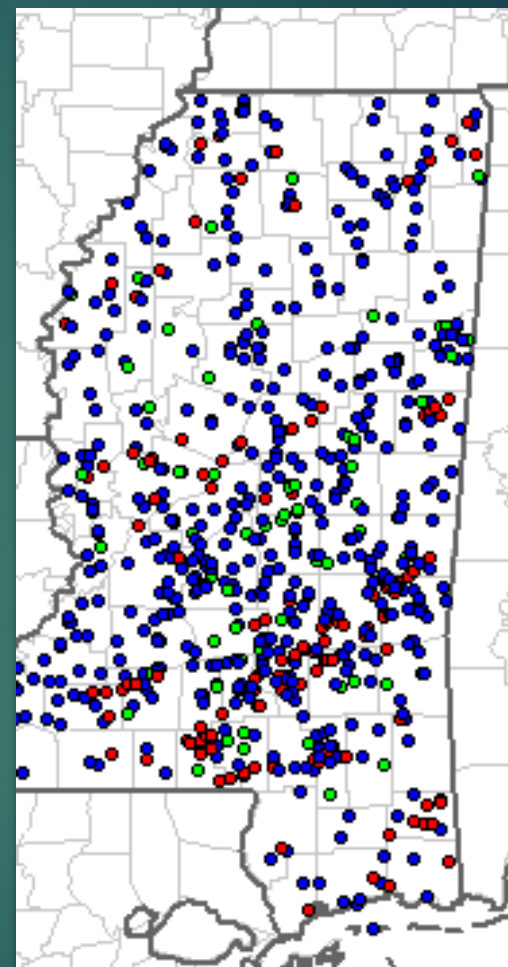
Severe Weather in MS in 2020

Total Reports = 755

Tornadoes = 127

Hail Reports = 95

Wind Reports = 533



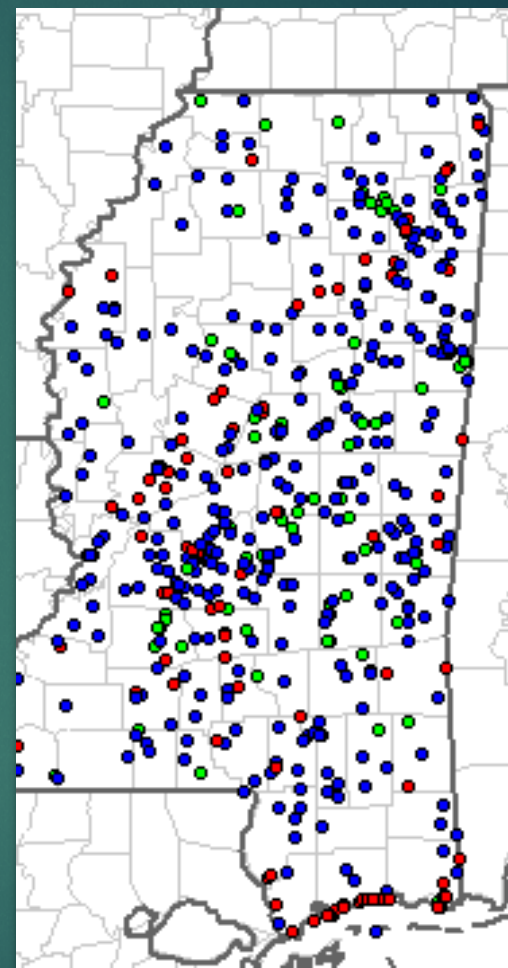
Severe Weather in MS in 2021

Total Reports = 544

Tornadoes = 92

Hail Reports = 71

Wind Reports = 381



Post Event Data Collection

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NOTE: This entire tab is protected. All information is pulled in based upon the information provided in either the Instructions tab or the Data by Zip Code tab

Data Call for Severe Weather Events of 1/20/2017 to 1/22/2017

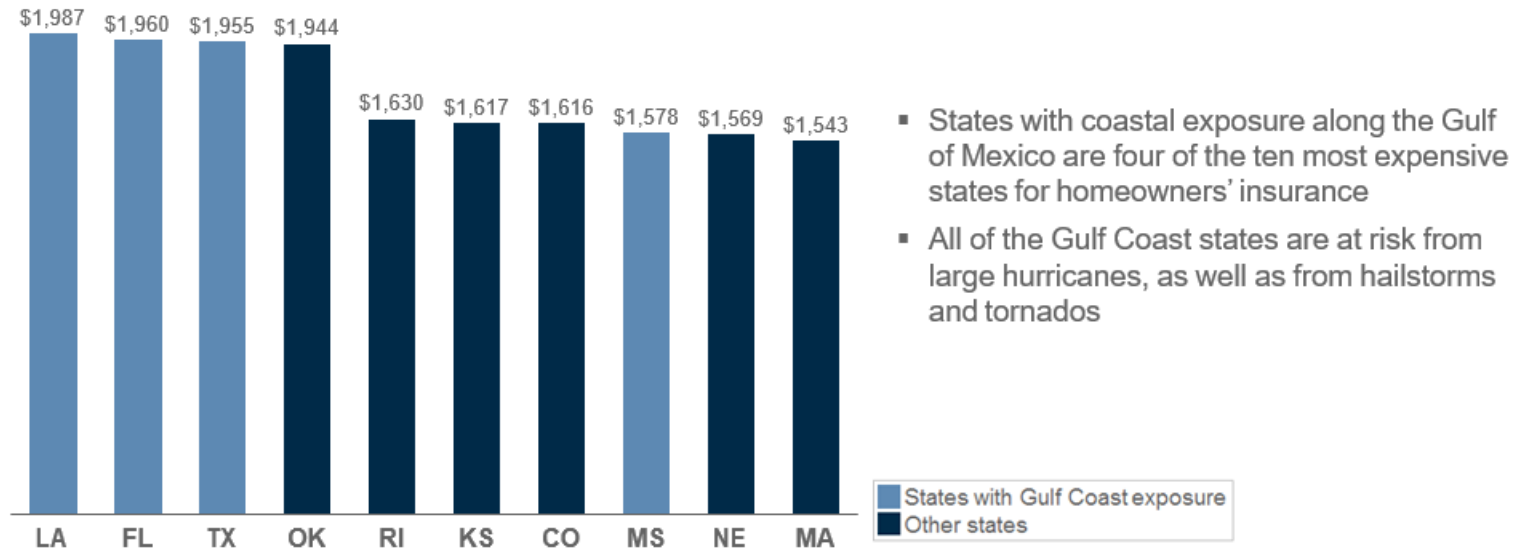
Group: Property & Casualty Insurers

Claims as of: 4/7/17

	Claims Reported	Claims Closed With Payment	Claims Closed Without Payment	Paid Loss	Case Incurred Loss	% Closed
Residential Property	2,206	1,163	444	45,930,827	54,338,971	72.8%
Commercial Property	154	58	32	57,334,056	111,260,989	58.4%
Personal Auto	869	625	98	4,761,650	4,836,856	83.2%
Commercial Auto	32	21	9	183,007	194,207	93.8%
Business Interruption	118	56	4	9,096,475	20,417,855	50.8%
All Other Lines	20	12	4	77,075	85,825	80.0%
Totals	3,399	1,935	591	117,383,090	191,134,703	74.3%

Gulf Coast states, including Mississippi, are among the most expensive U.S. states for homeowners' insurance

Ten Most Expensive U.S. States for Homeowners' Insurance in 2018⁽¹⁾



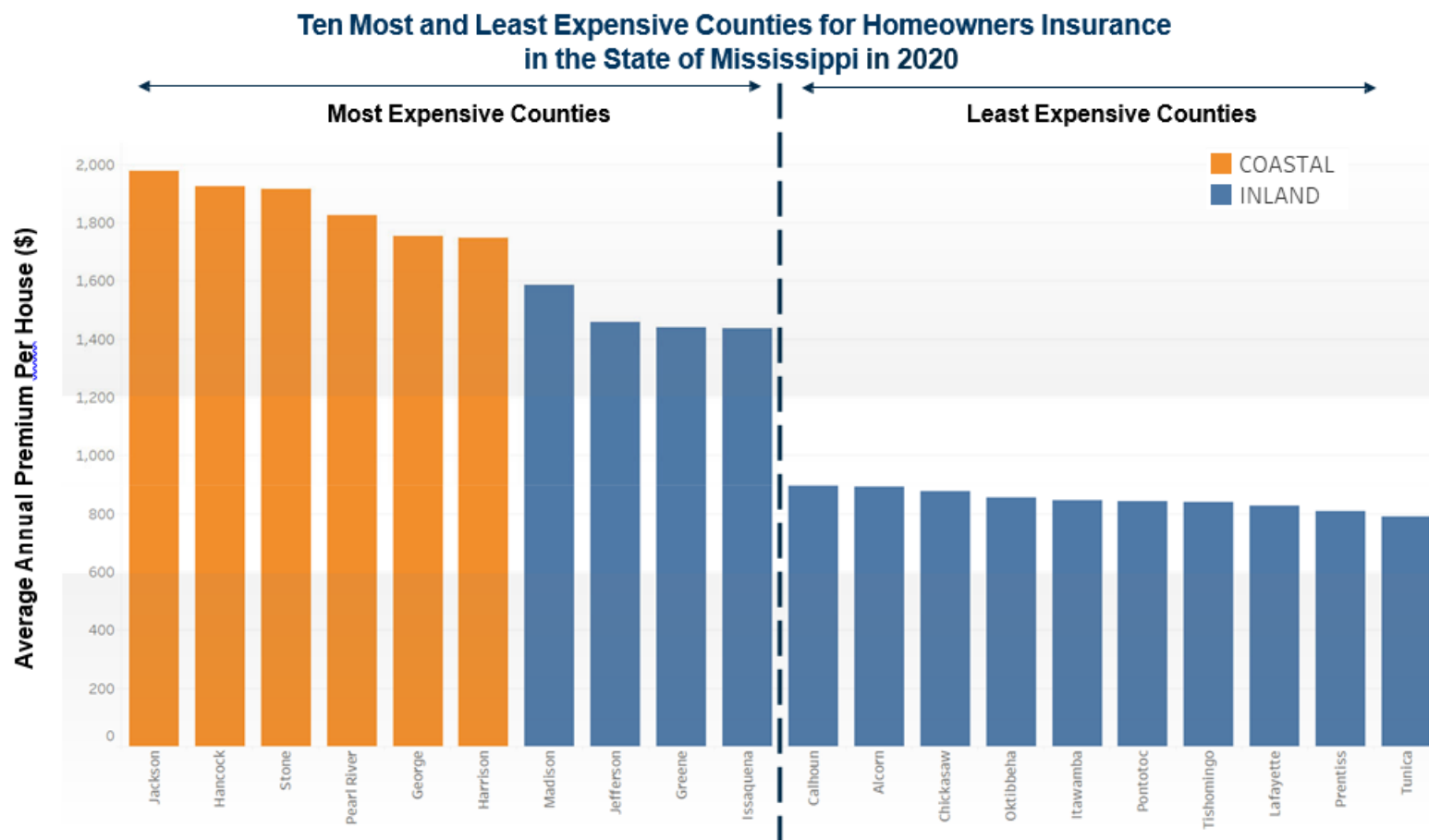
(1) Underlying data includes policies written by Citizens Property Insurance Corp. (Florida) and Citizens Property Insurance Corp. (Louisiana), Alabama Insurance Underwriting Association, Mississippi Windstorm Underwriting Association, North Carolina Joint Underwriting Association and South Carolina Wind and Hail Underwriting Association. Other southeastern states have wind pools in operation and their data may not be included in this chart. Based on the HO-3 homeowner package policy for owner-occupied dwellings, 1 to 4 family units. Provides "all risks" coverage (except those specifically excluded in the policy) on buildings and broad named-peril coverage on personal property and is the most common package written.

(2) The Texas Department of Insurance developed home insurance policy forms that are similar but not identical to the standard forms. In addition, due to the Texas Windstorm Insurance Association (which writes wind-only policies) classifying HO-1, 2 and 5 premiums as HO-3, the average premium for homeowners' insurance in TX may be overstated.

Note: Average premium = Premiums per house year. A house year is equal to 365 days of insured coverage for a single dwelling. The NAIC does not rank state average expenditures and does not endorse any conclusions drawn from this data.

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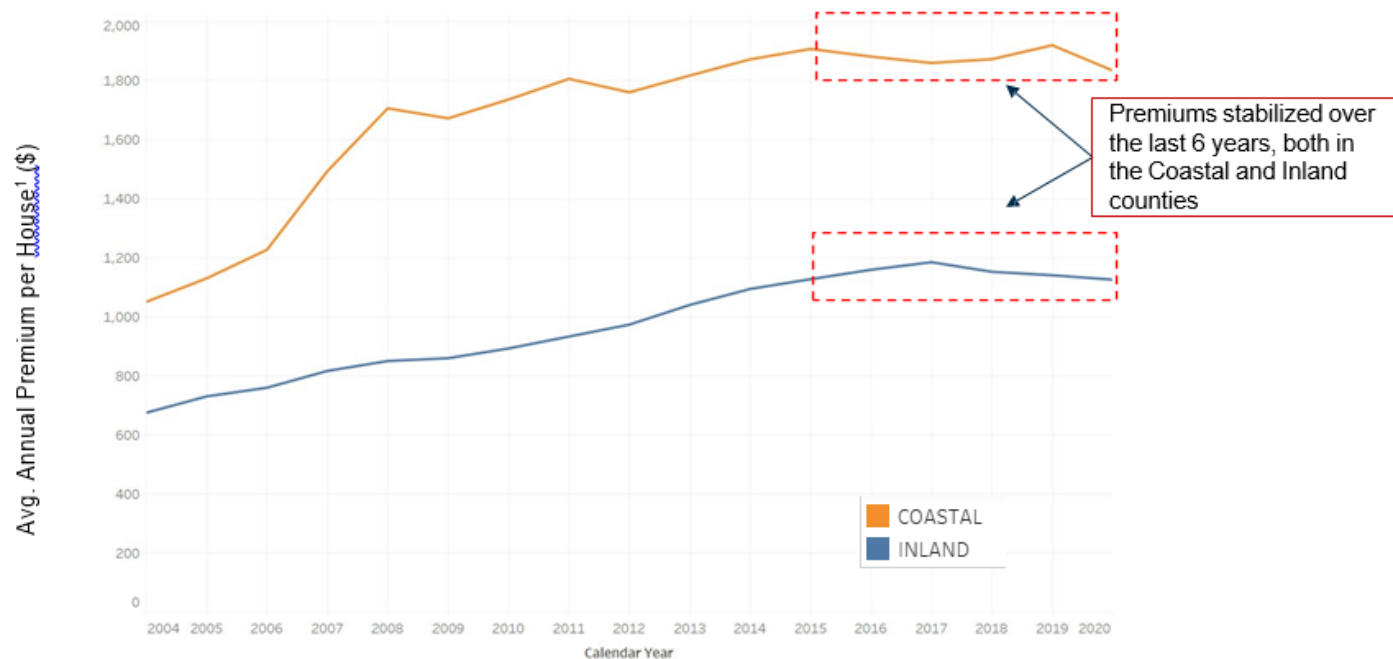
Homeowners' insurance premiums are higher in Mississippi's Coastal counties than its Inland counties



Source: Data provided by Participating Insurers and A&M analysis. Note these results are **averages that include renters (HO4) and condominium (HO6) insurance policies**, whose Direct Earned Premiums are substantially lower than those for policies that cover structural damage to the property as well as to contents.

Mississippi homeowners' insurance premiums stabilized over the last 6 years after more than a decade of growth through 2014

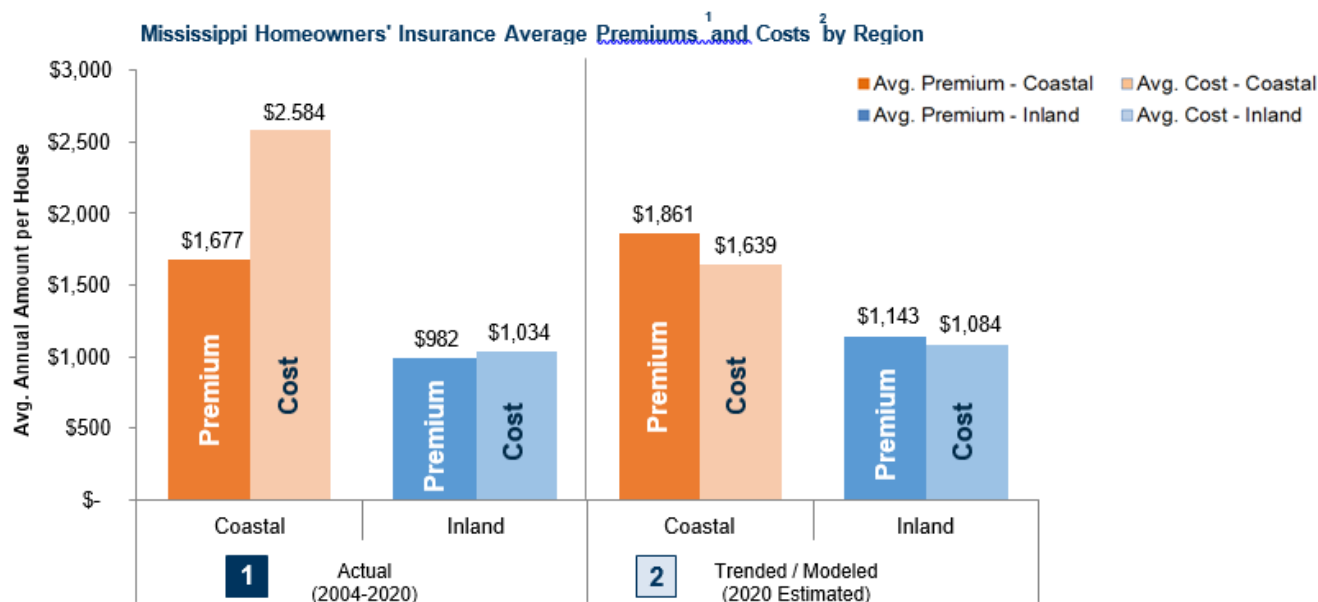
Average Annual Premium for Homeowners' Insurance in Mississippi, 2004-2020



⁽¹⁾Direct Earned Premiums per Adjusted Earned House Year.

Source: Data provided by Participating Insurers and A&M analysis. Note these results are **averages that include renters (HO4) and condominium (HO6) insurance policies**, whose Direct Earned Premiums are substantially lower than those for policies that cover structural damage to the property as well as to contents.

Actual premiums are lower than costs, while trended / modeled premiums are higher than costs, both on the Coast and Inland



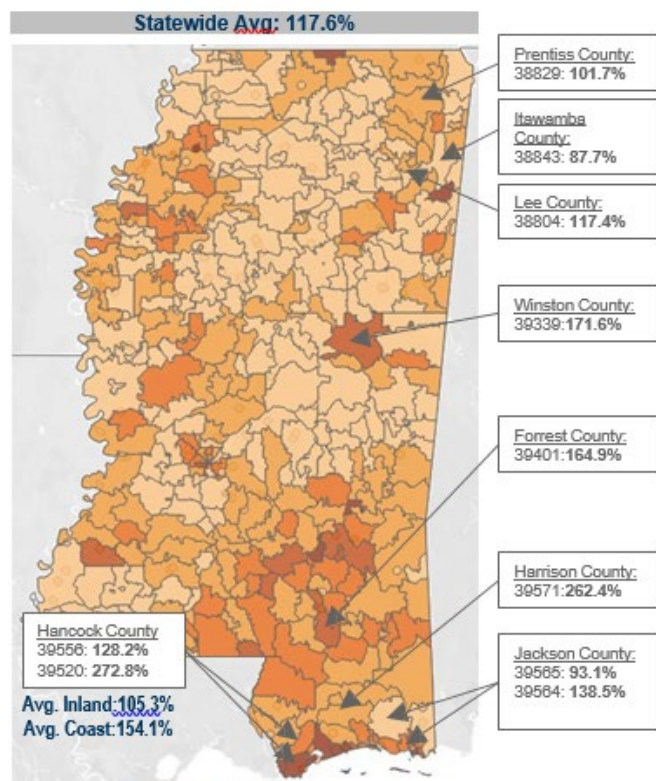
Source: Participating Insurers' Annual Statements, data submitted to the Department by Participating Insurers in response to the Data Call, and A&M analysis

1. "Actual" Avg. Premium represents the aggregate Direct Earned Premium ("DEP") over the past 17 years covered by the Data Call, divided by the aggregate Adjusted Earned House Years during the same period. "Trended" DEP is adjusted to reflect trends over the past 6 years as further described elsewhere in this report.
2. "Actual" Avg. Cost represents the aggregate Combined Costs over the past 17 years covered by the Data Call, divided by the aggregate Adjusted Earned House Years during the same period. Certain components of "Modeled" Combined Costs are adjusted to reflect trends over the past 6 years as further described in the section of this report, and to replace actual wind catastrophe losses and ALAE with the Modeled amounts. Unallocated costs and the net cost of reinsurance are estimated both in the "Actual" and "Modeled" approaches. **The above results are averages that include renters (HO4) and condominium (HO6) insurance policies, whose premiums are substantially lower than those for policies that cover structural damage to the property as well as to contents.**

1 Actual Combined Ratio:

Mapping the raw data by zip code for 17 years illustrates higher combined ratios near the coast as well as the level of variation within narrower regions

1 Actual Combined Ratio by MS Zip Code, 2004-2020



Color Scheme

70.0% 210.0%

Color Scheme

April 19, 2022

Key Observations:

- The “Actual” combined ratios are much higher in the Coastal region than Inland
- A combined ratio of more than 100% means the insurers’ premiums don’t cover their costs
- In Mississippi, nearly half of all zip codes have a combined ratio of greater than 100%
- The statewide average combined ratio is greater than 100%

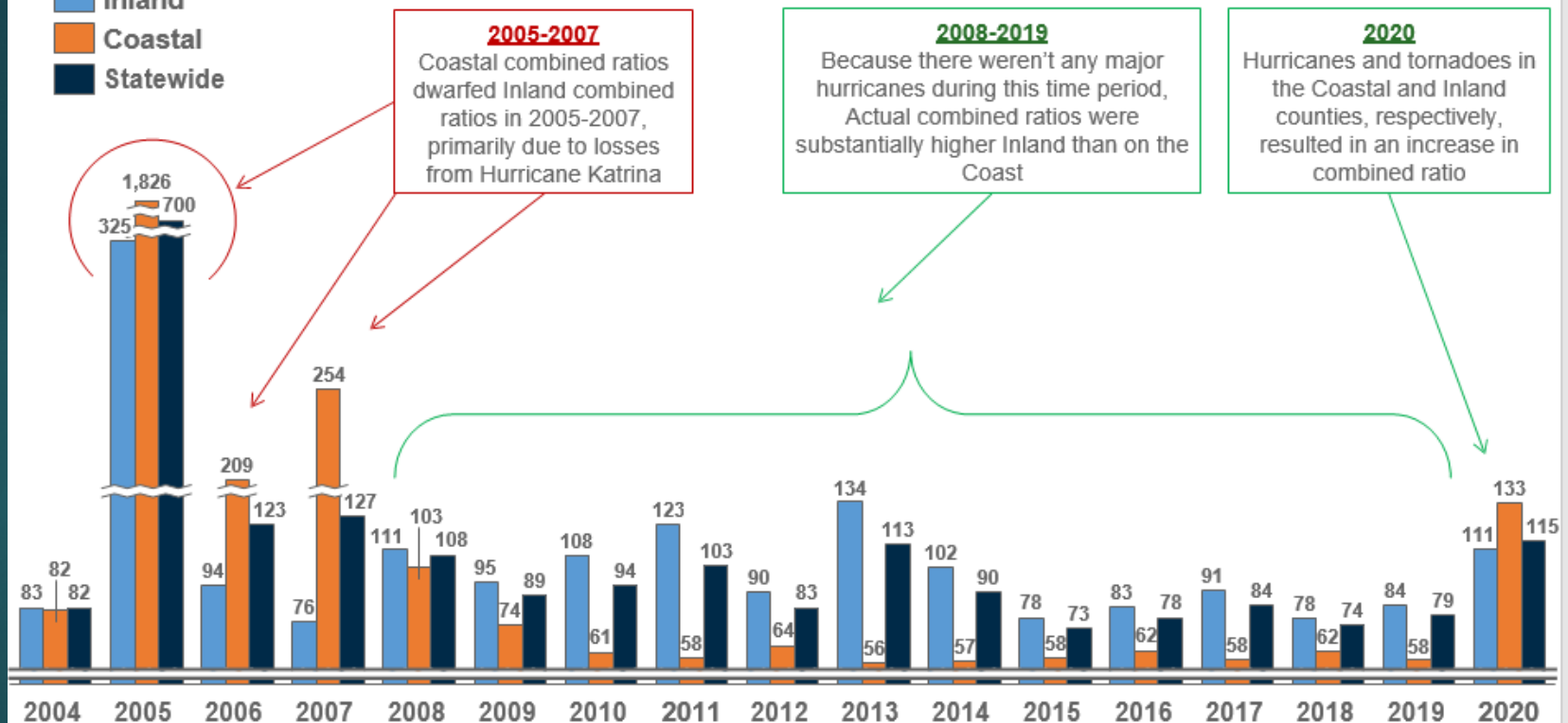
Actual Combined Ratio:

The Actual combined ratio varies significantly by year and region

Actual Combined Ratio by Year and Region, 2004-2020

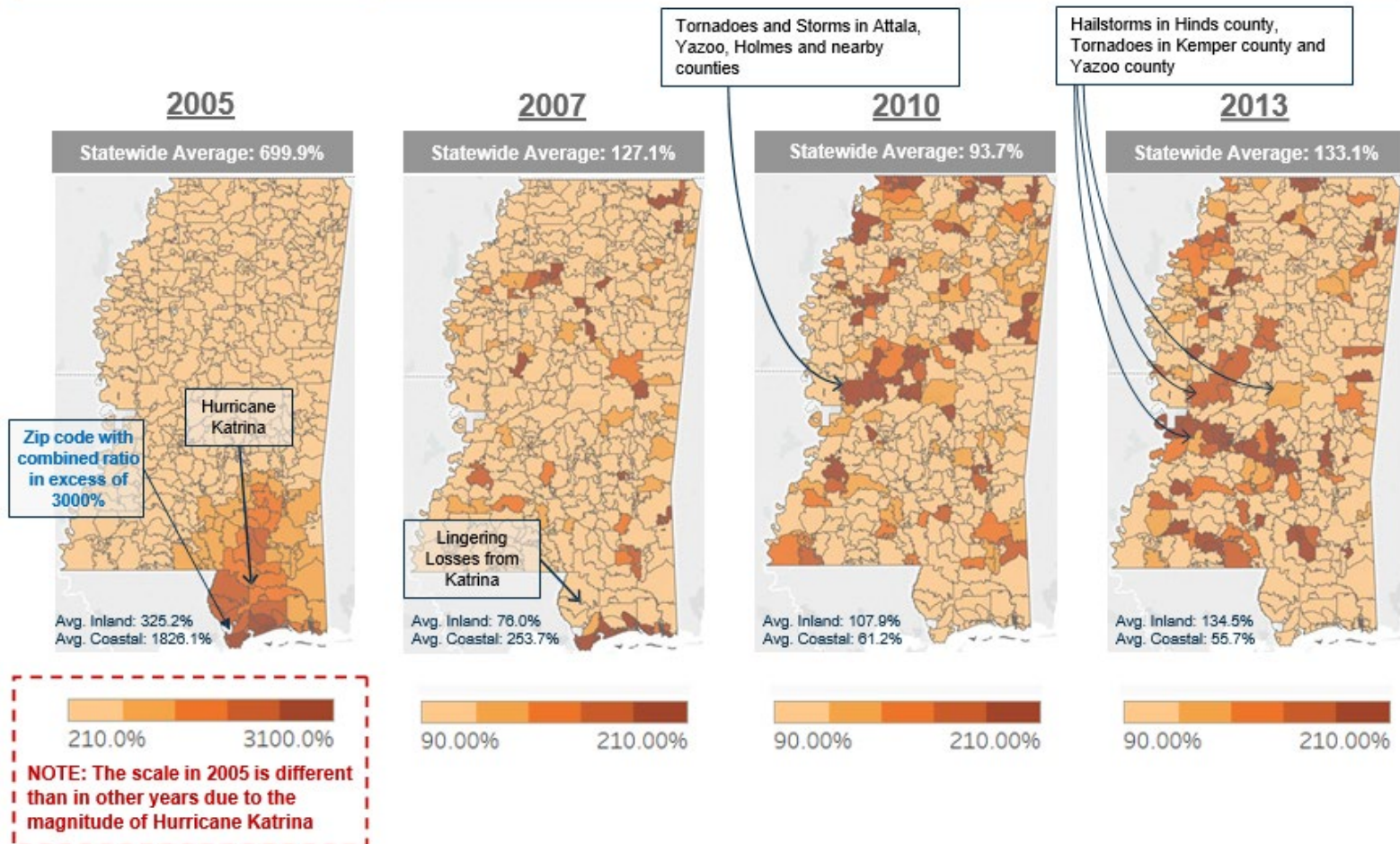
(% of Direct Earned Premium)

■ Inland
■ Coastal
■ Statewide



Actual Combined Ratio:

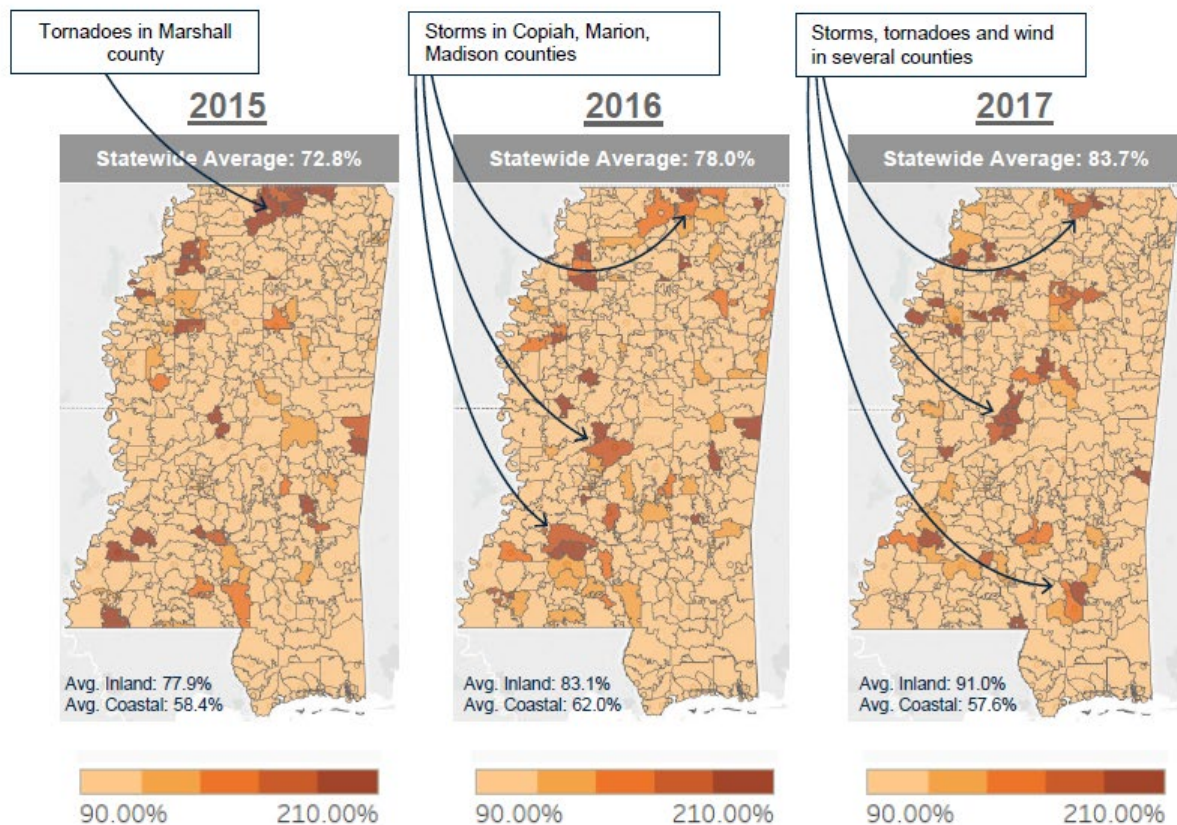
For any given year, the Actual combined ratio varies significantly by location



- Note: The above maps are on a different scale for each year to highlight the differences in magnitude across various zip codes. In each map, darker colors denote higher combined ratios.
- Note: The map can include zip codes whose combined ratio is higher or lower than the end points of the scale

Actual Combined Ratio (Continued):

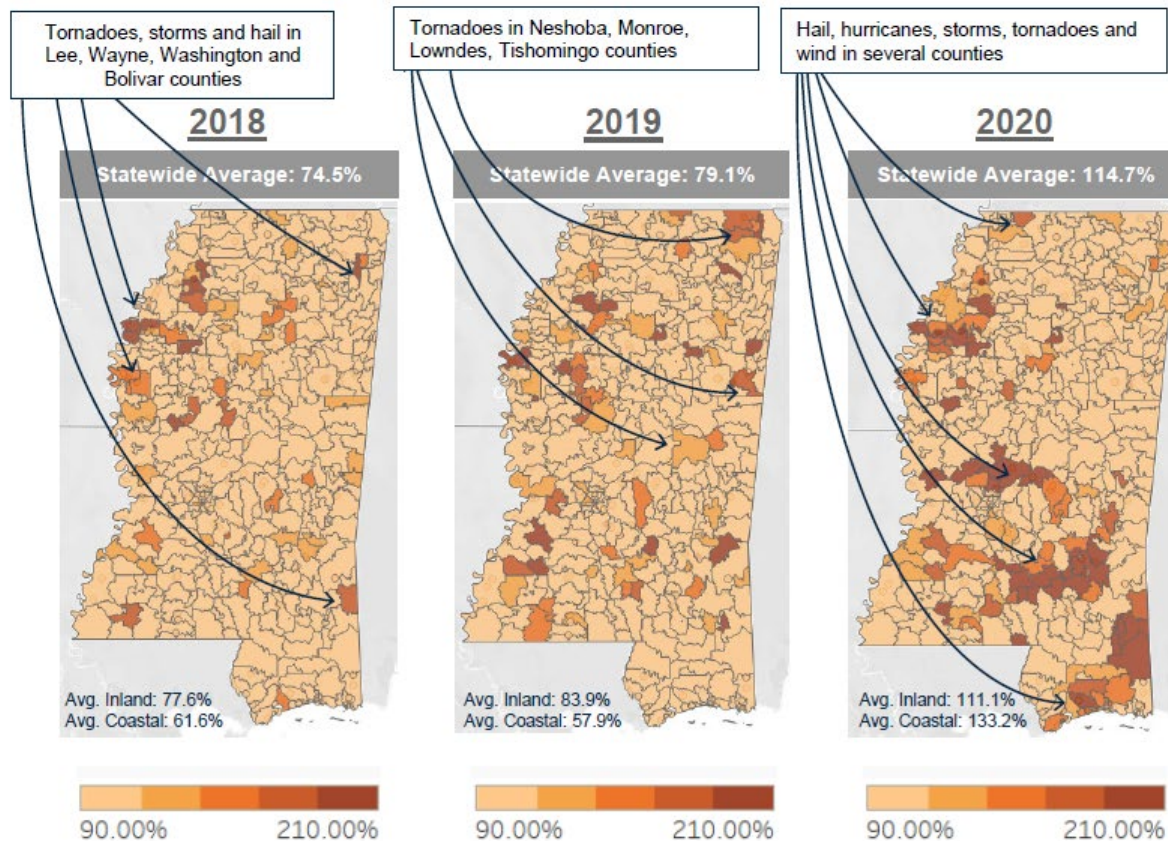
For any given year, the Actual combined ratio varies significantly by location



- Note: The map can include zip codes whose combined ratio is higher or lower than the end points of the scale

Actual Combined Ratio (Continued):

For any given year, the Actual combined ratio varies significantly by location



- Note: The map can include zip codes whose combined ratio is higher or lower than the end points of the scale



Flood Insurance

Flood Insurance

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- ▶ Flood risk remains one of the largest natural disaster threats to the state of Mississippi.
- ▶ The Mississippi River with its long history of flooding traverses more than 300 miles, covering the western border with Arkansas and Louisiana.
- ▶ Additionally, the state is bordered by 62 miles of beach from its border with Louisiana, each affected by the Gulf of Mexico and the Mississippi River.
- ▶ This continues to make flooding one the state's greatest threats for loss of life and property.

National Flood Insurance Program

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- ▶ The Program was created back in the late 60's due to the lack of a private market and increases in federal disaster assistance due to floods.
- ▶ The vast majority of property protection for flood is offered through the NFIP.
- ▶ The NFIP is managed by FEMA and allows property owners to buy flood insurance through your Property & Casualty carrier which is known as the Write Your Own program.
- ▶ There are in excess of 60,000 policies in force in Mississippi, with annual premium of roughly \$41 million.
- ▶ New Rating Program was implemented in April of this year.

New Rating Program – Risk Rating 2.0

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Mississippi — Risk Rating 2.0

With the implementation of Risk Rating 2.0, FEMA delivers rates that more accurately reflect flood risk and ensure the National Flood Insurance Program will be here for this generation and generations to come.

National Flood Insurance Program in Mississippi

NFIP Policies in Force by County in Mississippi



A significant part of FEMA's NFIP Transformation is Risk Rating 2.0, which will fundamentally change the way FEMA prices insurance and determines an individual property's flood risk.

Risk Rating 2.0 is equity in action. With Risk Rating 2.0, individuals will no longer pay more than their share in flood insurance premiums based on the value of their homes. Roughly two-thirds of policyholders with older pre-FIRM homes will see a premium decrease.

FEMA will reduce disaster-related suffering and disaster-related costs in Mississippi through insurance and the mitigation of flood risks by leveraging advances in industry best practices, technology, and flood risk modeling.

FEMA's core mission and programs continue to emphasize purchasing flood insurance and pursuing mitigation options to achieve resiliency. While there are many policies in force in Mississippi, there are still opportunities to increase participation in the program to improve resilience, as shown in the table below.

NFIP Policies in Force in MS	Properties in MS Not Covered by NFIP Policy	Average NFIP Claim Payout in MS in the Past 10 Years	Average Individual Assistance Claim Payout in MS in the Past 10 Years
61,300	1.0 million	\$24,700	\$6,900

Risk Rating 2.0 in Mississippi

Immediate Decreases
10,047 Policies

On Average, \$0 - \$10 Per Month
(\$0 - \$120 Per Year) Increases
44,643 Policies

On Average, \$10 - \$20 Per Month
(\$120 - \$240 Per Year) Increases
3,912 Policies



On Average, Greater Than \$20 Per Month (\$240 Per Year) Increases
2,716 Policies



FEMA



MISSISSIPPI BUILDING CODES

SAVING LIVES, PROPERTY & MONEY

SAVING LIVES, PROPERTY & MONEY

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- ▶ It's the right thing to do
- ▶ Protection from disaster due to:
 - ▶ storms,
 - ▶ fire,
 - ▶ structural collapse,
 - ▶ general deterioration

Why Building Codes?

- ▶ Standardized building codes across Mississippi will save lives, property and money.
- ▶ Give consumers greater confidence in purchasing a home knowing there is a minimum standard of construction that is in place and enforced.
- ▶ Lower Insurance Costs. Insurance companies will lower their premiums where there are building codes. Studies show that building codes will result in insurance savings of 10% to 15%.

Why Building Codes (Cont'd):

- ▶ Promote a level and consistent playing field for the construction industry making it more efficient.
- ▶ Increased opportunity to purchase and sell insurance as companies are more likely to do business where there are building codes and the concomitant reduction in risk.
- ▶ FEMA and Floodplains. If you live in a floodplain an insurance company will not write you insurance without proof of compliance with a building code.

Codes

- ▶ Every dollar spent on constructing to code saves \$4 in disaster recovery.
- ▶ If a state is out of shape with their building codes compared to surrounding states it hurts their homeowners.
- ▶ Mitigation credits put pressure on companies because they lower premiums but re-insurance costs remain the same.

Community Costs

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- ▶ Any reduction in damage that results from the adoption of building codes helps keep people in their homes following a disaster; reduces the amount and need for public assistance after a disaster and helps minimize the economic damage to a community

Codes set minimum construction standards

- ▶ Codes are meant to assure that **minimum acceptable standards** are used in design and construction of new homes.
- ▶ Electrical wiring, heating, sanitary facilities— all represent potential hazards to occupants and users.

Codes will not affect certain buildings

- ▶ Building codes WILL NOT affect landowners wanting to build a barn or a chicken house.
- ▶ Exempts:
 - ▶ non-residential farm structures,
 - ▶ manufactured homes,
 - ▶ industrial manufacturing facilities in areas where not already regulated,
 - ▶ utilities,
 - ▶ non-public fairgrounds,
 - ▶ hunting and fishing camps,
 - ▶ Neshoba Fairgrounds,
 - ▶ and many other structures.

Workers' Comp Rates



The last four years, Workers' Comp. Loss Costs (pure rates) have decreased in Mississippi:

2015- 3.2% Decrease

2016- 7.9% Decrease

2017- 6.1% Decrease

2018 - 6.0% Decrease

2019 – 10.7% Decrease

2020 – 8.6% Decrease

2021 – 8.3% Decrease



Questions?