

## Go Figure

*“Facts are stubborn things, but statistics are pliable.” Mark Twain*

Ever wonder how many state insurance regulators there are nationwide? Or how the state departments compare in size, number of staff, or budgets? Or how the states compare in collection of taxes, fees and assessments, fines and penalties or total revenue?

regulation, with plenty of room for finding one’s own interpretation and conclusions. The report includes an inordinate amount of data about departmental staff positions and salaries, which probably means that department staff members are among the most grossed readers, but not for any

a cumulative budget in excess of \$1.3 billion. (Compare this – fairly or not – to the 2014 budget of the Securities and Exchange Commission of approximately \$1.7 billion and 5,200 staff.)

- In descending order the five states with the largest 2014 budgets were California, New York, Texas, Florida and Illinois.
- The five states with the largest 2014 revenues were California, New York, Texas, North Carolina and Illinois.
- The five states with the most departmental staff in 2014 were Texas, California, Florida, New York and North Carolina.

The **chart on page 12** shows the details behind these bullets. I have also added a couple of calculations to add some flavor to the statistics, which could lead to conclusions that may or not be offset or contradicted by other factors. For instance, comparing the largest budgets and/or staff to revenue, New York would appear to have the most favorable ratios and Florida the least favorable – which could lead some to conclude that of the largest insurance jurisdictions New York is the most efficient and Florida the least efficient. I suspect other data could be used to reach different conclusions. But that is the fun with numbers (I know, I know. Get a life!).

Of course, people often see what they want to see. If you want to see a bloated bureaucracy or an efficient, effective bureaucracy, you are likely to find data to support the desired result. If you want to find growth, whether in staff positions, budgets or revenues, you can find growth in certain aspects. If you seek support for contraction, you can also find supporting data for staff, budget or revenue reductions as well. In other words, the data provided by the NAIC report is a cornucopia of diverse data about the insurance departments and, to a lesser degree, the companies they regulate that allows diverse interests to reach different conclusions about

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The answers to these and many more questions can be found in Volume 1 of the National Association of Insurance Commissioners’ 2014 *Insurance Department Resources Report* that was released in early June. In the words of the NAIC release announcing the report, “*The IDRR details how state insurance departments manage available resources to effectively regulate an increasingly complex and competitive industry.*” While this description may be a bit hyperbolic, the report provides some interesting information about the size and scope of the state insurance regulatory world not available from any other source.

Much of the data presented in the report was obtained through an NAIC survey completed by each state insurance department, and includes the number of departmental staff, annual budgets, revenues collected, number of insurers and producers, and number of consumer complaints filed. Premium volume by type and state will be the primary focus of Volume 2 to be released in August.

There are enough charts, tables, graphs and schedules to pique the interest of just about anyone interested in state insurance

purpose relating to their official duties. What staff person can resist comparing his or her salary to the salary range for similar positions among the various states?

Aside from inquisitive staff, however, anyone interested in the effectiveness of state regulation of insurance should study the report. With, among other things, the ongoing national dialogue about Federal incursions into regulation of insurance, the report provides an excellent opportunity to take a look at the size and function of the state-based regulatory machine. Here are some interesting facts gleaned from the report for 2014:

- Cumulatively, in 2014 state insurance departments collected almost \$22 billion in revenues, of which about 80% came from taxes and 14% came from fees and assessments.
- Only a little over 1% of revenues nationwide came from fines and penalties. New York, of course, led the way by a big margin, but even in New York fines and penalties accounted for less than 3% of revenues in 2014.
- State insurance departments employed 11,531 staff in 2014, with

the scope, efficiency or effectiveness of the state insurance regulatory system. That is to be expected.

Notwithstanding the potential for misuse to support an agenda, the NAIC report serves a very important and useful function, a utility that will be significantly enhanced with the release of Volume 2 covering premium volume. Future iterations of the report, however, could be even more valuable for legitimate analysis and understanding.

For example, the report shows that close to 280,000 complaints and just short of two million inquiries were received by insurance departments nationwide. Without context, however, these numbers mean very little. There is no data on the nature of complaints (i.e., companies v. brokers, coverage v. claims, etc.) or how they were resolved. And there is no information about the nature of the inquiries. Given the responsibility of insurance regulators to address consumer issues, there ought to be far more data collected on this aspect of the report.

Also, if the NAIC is going to claim that the purpose of the report is to show “how state insurance departments manage available resources to effectively regulate an increasingly complex and competitive industry,” then it needs to add commentary on and analysis of the data lending support for this statement. Among the NAIC, the state insurance departments and the industry associations and companies supporting state regulation of insurance, the resources

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are there to make the best argument from the accumulated data. If they do not take advantage of the opportunity, you can be sure that those opposed to or in favor of weakening state regulation will be able to mold the data to their cause as well. To repeat Mark Twain’s truism: “statistics are pliable.” [A]

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**Cumulatively,  
in 2014 states  
collected  
\$2.2 billion in  
revenues.  
Almost 14%  
from fees and  
assessments.**

**Based on Statistics (in \$millions)  
from the NAIC’s 2014 Insurance Department Resources Report – Volume 1**

STATE	Budget	Revenue	Budget as % of Revenue	Taxes	Revenue Less Taxes	Budget as % of Non-Tax Revenue	Employees	Non-Tax Revenue per Employee
California	\$179.6	\$2,988.8	6.0%	\$2,739.7	\$249.1	72.1%	1391	\$0.18
New York	\$143.5	\$2,394.7	6.0%	\$1,394.9	\$999.8	14.4%	809	\$1.24
Texas	\$135.2	\$2,129.8	6.3%	\$1,810.7	\$319.1	42.4%	1716	\$0.19
Florida	\$81.7	\$323.4	25.3%	\$243.4	\$80.0	102.1%	841	\$0.10
Illinois	\$53.6	\$445.1	12.0%	\$335.2	\$109.9	48.8%	249	\$0.44
North Carolina	\$32.7	\$519.9	6.3%	\$474.0	\$45.9	71.2%	399	\$0.12
ALL STATES	\$1,325.4	\$21,900.0	6.1%	\$17,505.6	\$4,394.4	30.2%	11531	\$0.38