

State Insurance Regulation: Key Facts and Market Trends

Kentucky / 2020

NAIC NATIONAL ASSOCIATION OF
INSURANCE COMMISSIONERS



Overview of the 2020 Insurance Market in Kentucky

- Kentucky ranks **28th** in total premiums as reported on NAIC annual statement filings.
- Kentucky ranks **18th** in health premiums as reported on NAIC annual statement filings.
- Kentucky ranks **28th** in property/casualty (P/C) premiums as reported on NAIC annual statement filings.
- Kentucky ranks **10th** in earthquake premiums as reported on NAIC annual statement filings.
- Kentucky ranks **13th** in credit premiums as reported on NAIC annual statement filings.
- Kentucky ranks **16th** in farm premiums as reported on NAIC annual statement filings.
- Kentucky's cost of regulation has decreased **41%** since 2011.
- Total direct premiums written in-state have increased **75%** since 2011.
- Insurance carriers and related activities make up **51.32%** of the gross domestic product (GDP) for financial institutions in Kentucky.

State Insurance Regulation: Key Facts and Market Trends

The mission of the National Association of Insurance Commissioners (NAIC) is to assist state insurance regulators, individually and collectively, in serving the public interest and achieving the following fundamental insurance regulatory goals in a responsive, efficient and cost effective manner, consistent with the wishes of its members. As part of this mission, the NAIC compiles meaningful data about the insurance regulatory community, as well as the insurance industry.

Number of Insurance Companies

The number of insurance companies is provided by state insurance regulators and is compiled annually by the NAIC. Depending on the type of insurance companies provided, they are classified either as property/casualty, life and fraternal, health, or title insurers. Insurers with primary corporate headquarters located in a particular state are called domestic insurers. The insurance regulator in the insurer's state of domicile is the primary regulator of that insurer. Foreign insurers are those that are allowed to sell insurance in a state but have a primary legal residence in another state. The state rank represents the rank relative to the state with the largest number of insurers among all states.

U.S. Premiums by NAIC Financial Statement Type

The premium volume from the NAIC financial filing database is direct written premium derived from insurer annual financial statement filings provided to the NAIC. The total is comprised of aggregate premium and deposits generated without any adjustments for reinsurance. This data is grouped according to insurer financial statement filing type (i.e., property/casualty; life, accident and health/fraternal; health; and title). Data in one financial statement type could contain data that seemingly fits better under

another line of business. For example, traditional health data may be filed by an insurer using the filing type of life, accident and health. Depending on the regulatory requirements in the state of domicile, captives and risk retention groups are not always required to file with the NAIC and, consequently, this data may not be considered complete. Not all state funds are required to file with the NAIC. State fund data contained herein is reported separately and added to the premium volume during composition of this report. Some categories are modified to more closely align with the structure of the NAIC financial statement filings and may not be comparable to data reported in prior years. The state rank represents the rank relative to the state with the largest premium volume among all states.

U.S. Premiums by IDRR Premium Type

The premium volume from the *Insurance Department Resources Report* (IDRR) is comprised of direct written premium that the states report to the NAIC in compiling the IDRR. This data is grouped by type of business and will not match up with data grouped by NAIC financial statement type. This data includes total direct written premium reported by each state insurance department and does not include premiums from captives or surplus lines business. It was requested that each state include state funds in its premium volume reported. Some companies may report premium data to the state insurance department that are not required to report to the NAIC due to sales volume or other regulatory requirements of their domiciliary state.

Insurance Department Data

The insurance department data is provided by state insurance regulators and is compiled annually by the NAIC. Total taxes include premium, retaliatory, franchise and income taxes paid by insurers. Total revenue includes other

sources of revenue, such as licensing fees and fines and assessments, as well as total taxes. Total budget represents the annual operating budget of the state insurance department. Total employment is the number of full-time state insurance department employees. The state rank represents the rank relative to the state with the largest respective number among all states.

Cost of Regulation

The cost of regulation is calculated from data supplied by state insurance regulators and collected from insurers' financial filings. It is a ratio that compares the insurance department budget to total premium written in the state. For state-specific details on the figures used, please refer to the IDRR technical notes.

Property/Casualty Premium by Line of Business

The premiums are from the annual financial statement information that property/casualty insurers file with the NAIC. Property/casualty premium is subdivided into several categories. This data includes information on state funds reported separately and added to the premium volume during composition of this report. The state rank represents the rank relative to the state with the largest respective premium by line of business among all states.

Insurance Industry Employment

The U.S. Bureau of Labor Statistics (BLS) produces the Quarterly Census of Employment and Wages (QCEW). The QCEW is derived from quarterly unemployment insurance tax reports submitted by employers to state workforce agencies. The reports are subject to state unemployment insurance laws, as well as to the Unemployment Compensation for Federal Employees (UCFE) program. According to the BLS, the QCEW program publishes a quarterly count of employment and wages covering 98% of U.S. jobs, available by industry in the county,

metropolitan statistical area (MSA), state and national levels. Employment is the total number of persons employed full-time or part-time in non-farm establishments during a specified payroll period. Temporary employees are included. In general, data refer to persons who worked during, or received pay for, any part of the pay period that includes the 12th of the month, which is standard for all federal agencies collecting employment data from business establishments. Insurance carriers include employees of direct insurers from all insurance types and reinsurers. Agencies, brokerages and other insurance-related activities include insurance agents and brokers, independent claims adjusters, third-party administrators of insurance and pension funds, and other insurance-related activities.

Consumer Complaints

Complaints include all formal complaints lodged with the insurance department.

Consumer Inquiries

Inquiries include all requests for information about insurance-related issues made by any medium, including phone calls, written letters, emails, etc. Requests for brochures are included, as are incidents where a complaint is voiced, but is not formally lodged.

Gross Domestic Product

The U.S. Bureau of Economic Analysis (BEA) produces the gross domestic product (GDP). The BEA defines GDP by state as the most comprehensive measure of overall economic activity in the individual states. Per the BEA, GDP by state is calculated as the sum of incomes earned by labor and capital and the costs incurred in the production of goods and services. It includes workers' wages and salaries; income earned by sole proprietorships, partnerships and corporations; and business taxes (such as sales, property, and federal excise taxes) that count as a business expense.

State Insurance Regulation: Key Facts and Market Trends

The primary goal of state regulation is to protect insurance consumers, while recognizing that consumers as well as companies are well served by efficient, market-oriented regulation of the business of insurance.

OVERVIEW OF THE UNITED STATES INSURANCE MARKET 2020

| Insurance Group | Direct Premium Written* | % of Total Premium |
|--------------------|--------------------------|--------------------|
| UNITEDHEALTH GRP | \$177,819,055,855 | 6.90% |
| METROPOLITAN GRP | \$113,982,557,420 | 4.43% |
| ANTHEM INC GRP | \$81,362,191,587 | 3.16% |
| CENTENE CORP GRP | \$75,056,739,842 | 2.91% |
| HUMANA INC | \$73,987,722,348 | 2.87% |
| Top 5 Total | \$522,208,267,052 | |

*Includes Deposit Type Funds and premium written in U.S. territories from Property, Life, Fraternal, Title, and Health Annual Statements.

Source: National Association of Insurance Commissioners

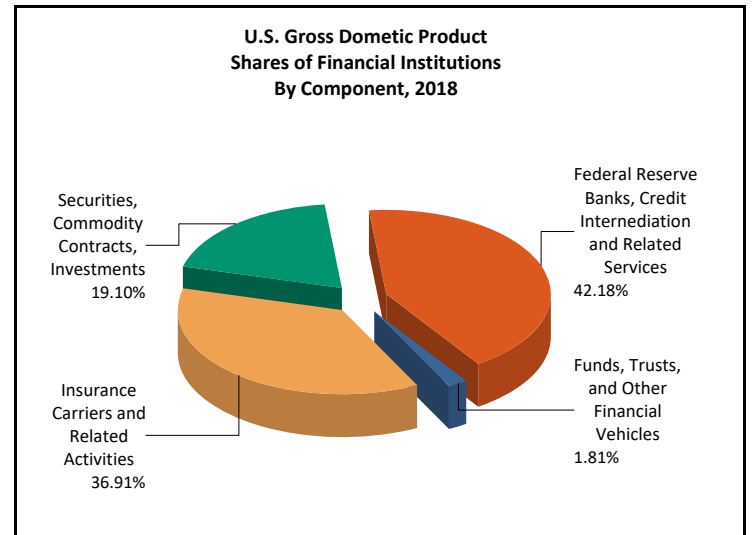
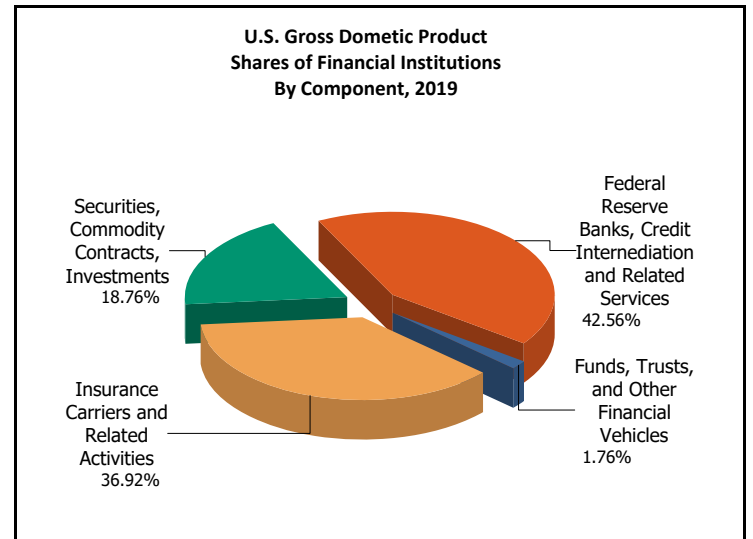
| | 2019 | 2020 |
|-----------------------------------------------------------------------------------------|------------------|------------------|
| Funds, trusts, and other financial vehicles | 29,401 | N/A |
| Insurance carriers and related activities | 615,010 | N/A |
| Securities, commodity contracts, and other financial investments and related activities | 312,481 | N/A |
| Monetary Authorities- central bank, credit intermediation, and related services | 708,906 | N/A |
| Finance and insurance | 1,665,797 | 1,727,087 |

*Figure is an estimate.

Source: US Department of Commerce, Bureau of Economic Analysis

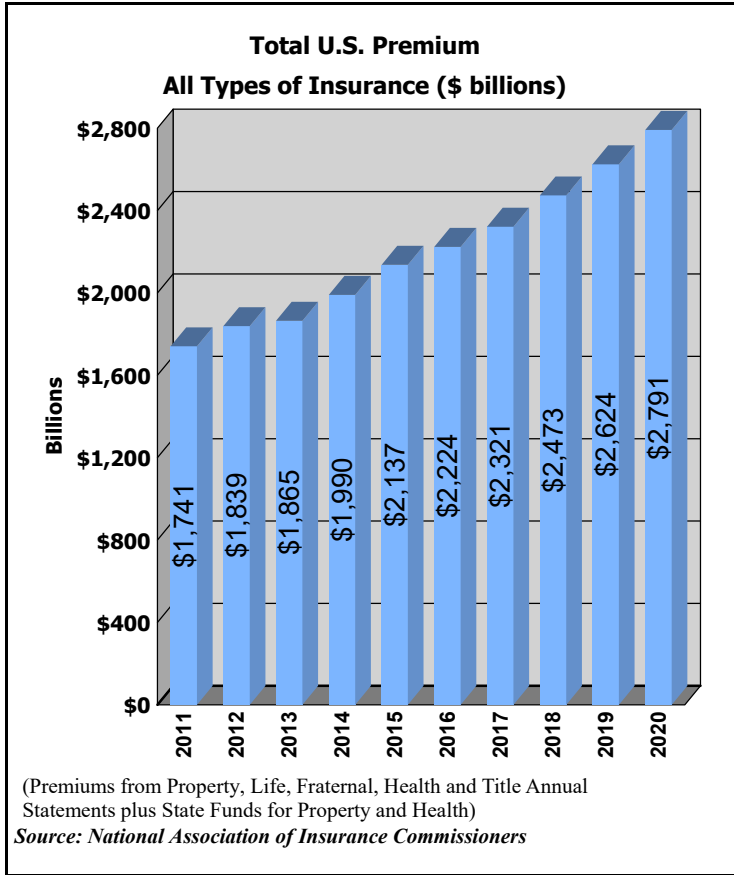
| | 2018 | 2019 | 2020 |
|--------------------------------------------------|------------------|------------------|------------------|
| Insurance Carriers and Related Activities | 2,356,244 | 2,411,263 | 2,419,845 |
| <u>Insurance Carriers</u> | <u>1,178,085</u> | <u>1,211,490</u> | <u>1,216,922</u> |
| Direct Life and Health Insurance Carriers | 607,511 | 625,050 | 641,994 |
| Direct Life Insurance Carriers | 226,350 | 241,580 | 240,024 |
| Direct Health and Medical Insurance Carriers | 376,934 | 391,350 | 403,979 |
| Direct Insurers (except Life and Health) | 511,142 | 516,102 | 514,994 |
| Direct Property and Casualty Insurers | 460,038 | 466,170 | 463,586 |
| Direct Title Insurance Carriers | 58,718 | 58,063 | 59,556 |
| Other Direct Insurance Carriers | 13,272 | 15,971 | 15,957 |
| Reinsurance Carriers | 21,658 | 21,455 | 19,571 |
| <u>Insurance Agencies and Brokerages</u> | <u>1,178,159</u> | <u>1,199,778</u> | <u>1,202,923</u> |
| Other Insurance Related Activities | 346,519 | 352,782 | 351,072 |
| Claims Adjusting | 60,499 | 56,891 | 56,707 |
| Third Party Administration of Insurance Funds | 200,063 | 207,013 | 205,640 |
| All Other Insurance Related Activities | 85,162 | 88,867 | 88,725 |

Source: U.S. Department of Labor, Bureau of Labor Statistics



OVERVIEW OF THE UNITED STATES INSURANCE MARKET

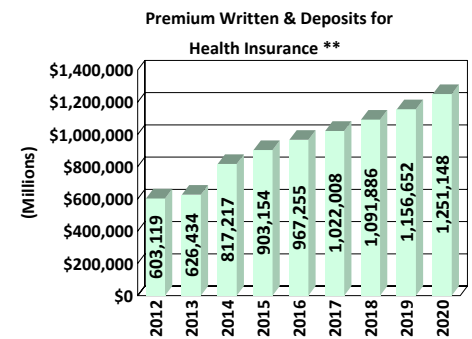
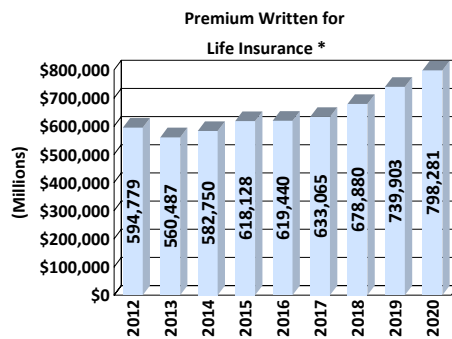
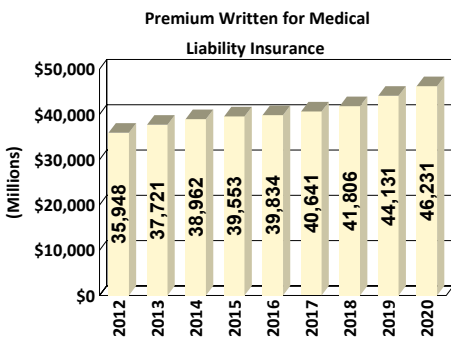
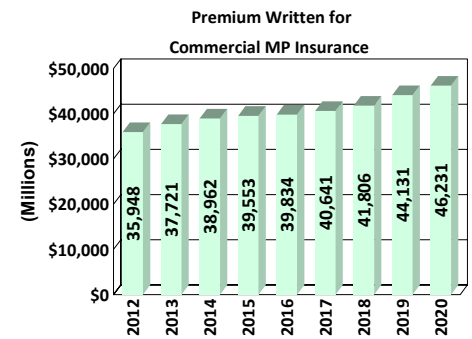
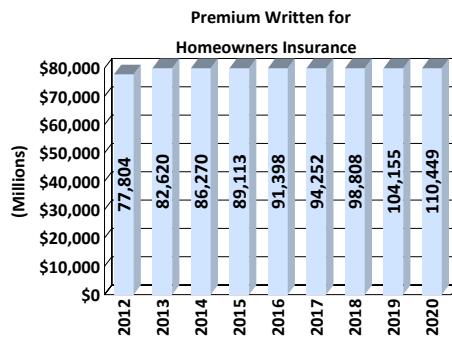
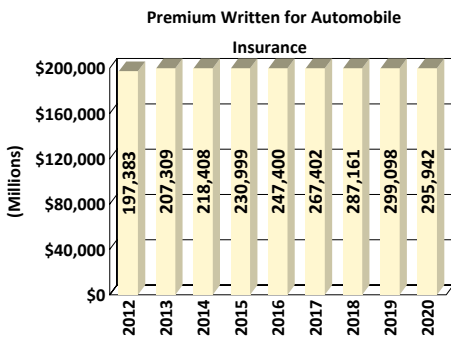
2020



U.S. Property & Casualty Premium by Line of Business

| Line of Business | 2019 | 2020 |
|--------------------------------|------------------------|------------------------|
| Accident & Health | 6,966,360,015 | 6,511,262,859 |
| Allied lines | 14,137,210,360 | 16,370,476,903 |
| Federal flood | 2,970,377,652 | 3,045,672,853 |
| Crop | 1,105,780,223 | 1,115,706,189 |
| Private Flood | 542,833,945 | 706,915,943 |
| Farm | 14,359,900,050 | 14,957,355,307 |
| Homeowners multiple peril | 104,155,071,743 | 110,449,213,603 |
| Commercial multi peril | 44,130,896,556 | 46,231,089,795 |
| Mortgage guaranty | 5,555,055,740 | 5,746,469,924 |
| Ocean & Inland Marine | 29,405,670,052 | 29,065,052,981 |
| Financial guaranty | 307,329,816 | 421,674,643 |
| Fire | 13,813,880,368 | 15,770,907,517 |
| Earthquake | 2,788,990,925 | 3,374,432,634 |
| Workers' compensation | 59,379,283,482 | 54,298,958,889 |
| Products liability | 4,104,892,610 | 4,151,767,945 |
| Automobile | 299,097,518,563 | 295,942,458,093 |
| Aircraft (all perils) | 1,797,322,105 | 2,088,209,783 |
| Fidelity | 1,271,354,699 | 1,300,008,503 |
| Surety | 6,918,285,172 | 6,860,629,236 |
| Burglary and theft | 435,666,762 | 449,661,025 |
| Boiler and machinery | 1,727,828,695 | 1,923,898,944 |
| Credit | 1,957,658,745 | 2,065,539,405 |
| Other | 80,588,457,901 | 90,243,852,530 |
| Medical professional liability | 9,784,570,243 | 10,155,286,657 |
| Total | 707,303,784,127 | 723,246,793,516 |

Source: National Association of Insurance Commissioners
(Premiums from Property Annual Statements plus State Funds)



* Figures include Life, Annuities, Deposit Type Funds, and Other Considerations from the NAIC Life, and Fraternal financial statements.

** Figures includes Health data from the NAIC Health, Life, and Fraternal financial statements and California Insurance data.

Figures include data from State Funds where applicable.

State Insurance Regulation: Key Facts and Market Trends

The primary goal of state regulation is to protect insurance consumers, while recognizing that consumers as well as companies are well served by efficient, market-oriented regulation of the business of insurance.

**OVERVIEW OF THE UNITED STATES INSURANCE MARKET
2020**

| Data Year | U.S. Premiums by NAIC Financial Statement Type | | | | | Total |
|-----------|------------------------------------------------|---------------------|---------------------|----------------------------|------------------|---------------------|
| | Property & Casualty* | Life | Health** | Fraternal Organizations*** | Title | |
| 2011 | \$492,349,099,927 | \$712,609,032,627 | \$516,536,275,295 | \$10,059,456,275 | \$9,163,679,405 | \$1,740,717,543,529 |
| 2012 | \$515,045,289,525 | \$755,487,272,383 | \$546,693,895,445 | \$10,309,568,441 | \$11,129,648,863 | \$1,838,665,674,657 |
| 2013 | \$542,844,596,048 | \$728,885,499,018 | \$570,421,066,202 | \$10,215,714,936 | \$12,452,031,563 | \$1,864,818,907,767 |
| 2014 | \$567,105,061,580 | \$737,379,318,021 | \$664,352,095,084 | \$10,458,718,577 | \$11,060,055,329 | \$1,990,355,248,591 |
| 2015 | \$589,667,150,148 | \$777,515,604,867 | \$745,595,481,868 | \$10,867,996,702 | \$12,885,170,798 | \$2,136,531,404,383 |
| 2016 | \$611,195,728,207 | \$785,304,558,898 | \$802,132,413,342 | \$11,028,741,281 | \$14,030,332,178 | \$2,223,691,773,906 |
| 2017 | \$639,878,165,766 | \$810,086,066,759 | \$846,780,935,013 | \$10,222,142,527 | \$14,506,091,538 | \$2,321,473,401,603 |
| 2018 | \$674,190,146,476 | \$869,600,291,092 | \$904,474,399,538 | \$10,303,786,208 | \$14,631,346,937 | \$2,473,199,970,251 |
| 2019 | \$707,303,784,088 | \$942,312,241,837 | \$958,805,424,749 | \$0 | \$15,650,177,336 | \$2,624,071,628,010 |
| 2020 | \$723,246,793,358 | \$1,006,632,235,604 | \$1,042,037,040,935 | \$0 | \$19,243,045,980 | \$2,791,159,115,877 |

*Starting in 2004, Property/Casualty premiums include Supplemental State Funds.
 ** Starting in 2007, Health premiums include data filed with the California Department of Insurance.
 *** Starting in 2019, the Fraternal Organizations financial statement was combined with the Life financial statement.
Source: National Association of Insurance Commissioners

| 2020 U.S. Premiums by NAIC IDRR Premium Category | | | | | | |
|--------------------------------------------------|-------------------|---------------------|---------------------|------------------|----------------------|-----------------|
| Total | Life / Annuities | Property / Casualty | Health | Title | Risk Retention Group | All Other |
| \$2,716,245,892,252 | \$821,933,169,100 | \$672,974,288,479 | \$1,192,153,210,777 | \$18,131,342,639 | \$4,089,244,868 | \$6,964,636,389 |

Source: NAIC Insurance Department Resources Report

| 2020 U.S. Insurance Industry Information | | | | | |
|------------------------------------------|-----------------|-----------------------|------------------|-----------------|----------------------|
| Domestic Premium | Num of Domestic | Domestic Mean Premium | Captive Premium | Num of Captives | Captive Mean Premium |
| \$2,716,245,892,252 | 5,929 | \$458,128,840 | \$36,301,411,643 | 4,126 | \$8,798,209 |

Source: NAIC Insurance Department Resources Report

| 2020 U.S. Insurance Department Information for All States | | | | | |
|-----------------------------------------------------------|-------------------------|-----------------|------------------|--------------------|---------------------|
| Total Revenue | Total State Tax Revenue | Total Budget | Total Employment | Consumer Inquiries | Consumer Complaints |
| \$29,004,767,912 | \$23,972,734,234 | \$1,607,590,396 | 10,857 | 1,322,358 | 246,900 |

Source: NAIC Insurance Department Resources Report

Overview of the 2020 Insurance Market In Kentucky

| Number of Insurance Companies in Kentucky | | |
|-----------------------------------------------------------|--------|------------|
| Type | Number | State Rank |
| Domestic | 52 | 33 |
| Total Domestic and Licensed Foreign Insurers | 1,615 | 19 |
| <i>Captives not included.</i> | | |
| <i>Source: NAIC Insurance Department Resources Report</i> | | |

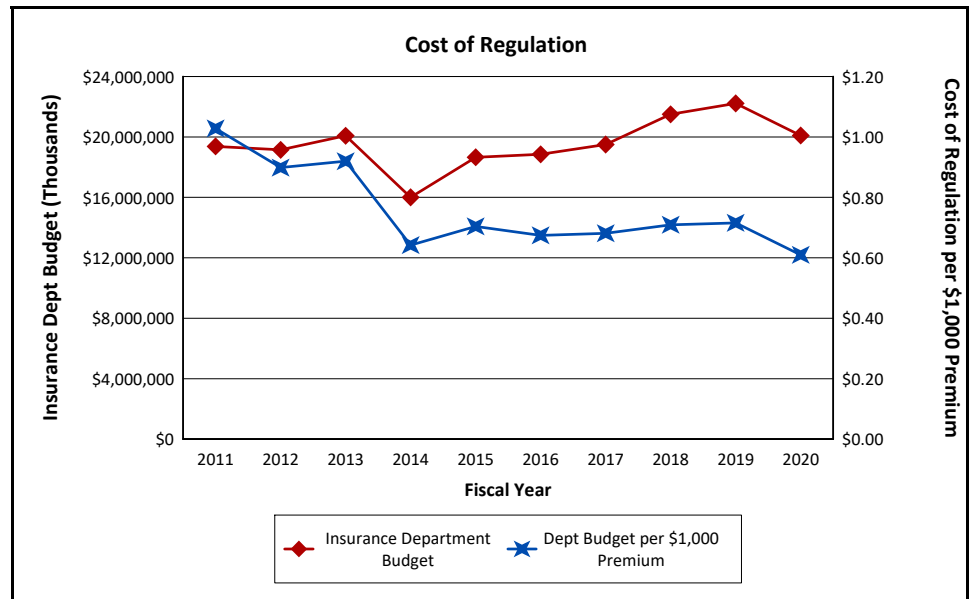
| Captive Insurance Companies in Kentucky | | |
|-----------------------------------------------------------|------------------------|-----------------------|
| Number of Captives | Direct Written Premium | Total Captive Premium |
| 50 | \$38,266,045 | \$100,996,827 |
| <i>Source: NAIC Insurance Department Resources Report</i> | | |

| Insurance Department Data for Kentucky | | | |
|-----------------------------------------------------------|---------------|------------|-----------|
| Description | Amount | State Rank | % of U.S. |
| Total Taxes: | \$365,726,248 | 21 | 1.53% |
| Total Revenue: | \$413,000,519 | 23 | 1.42% |
| Total Budget: | \$20,091,400 | 20 | 1.25% |
| Total Employment: | 104 | 29 | 0.96% |
| Total Inquiries: | 849 | 42 | 0.06% |
| Total Complaints: | 2,728 | 23 | 1.10% |
| <i>Source: NAIC Insurance Department Resources Report</i> | | | |

| Premiums & Deposits by Type of Annual Statement Filing in Kentucky | | | |
|--------------------------------------------------------------------|-------------------------|------------|--------------|
| Statement Type | Premium Written | State Rank | % of U.S. |
| Health | \$17,173,839,558 | 18 | 1.65% |
| Life, Accident, and Health | \$7,604,293,755 | 31 | 0.76% |
| Property and Casualty | \$8,049,007,622 | 28 | 1.11% |
| Title | \$124,693,891 | 31 | 0.65% |
| Total Kentucky | \$32,951,834,826 | 28 | 1.18% |
| <i>Source: National Association of Insurance Commissioners</i> | | | |

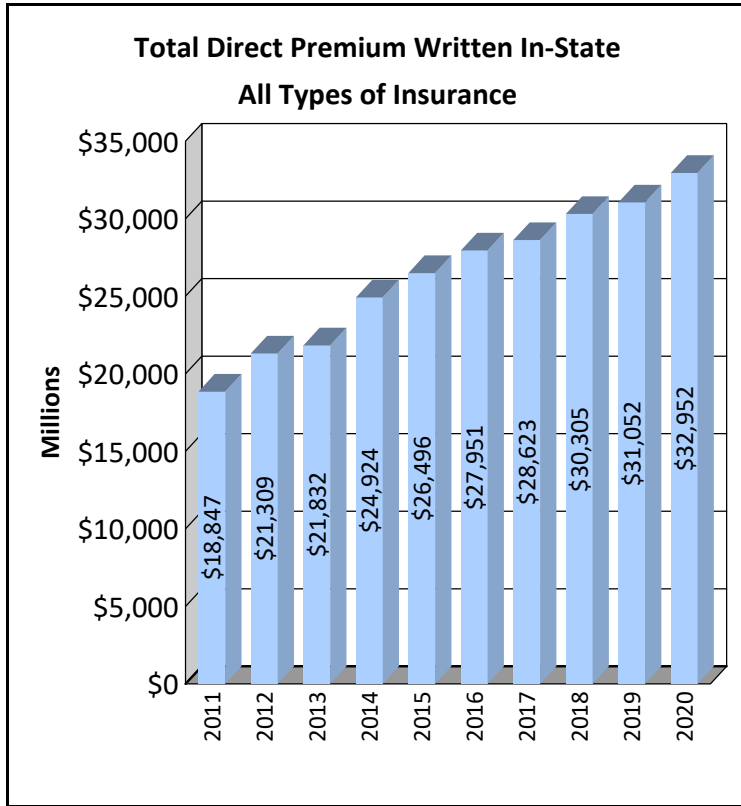
| IDRR Premiums by Category in Kentucky | | | |
|-----------------------------------------------------------|-------------------------|------------|--------------|
| Category Type | Premiums | State Rank | % of U.S. |
| Property and Casualty | \$7,759,791,136 | 28 | 1.15% |
| Life/Annuities | \$7,597,950,310 | 27 | 0.92% |
| Risk Retention Group | \$41,319,721 | 21 | 1.01% |
| All Other | \$37,950,956 | 10 | 0.54% |
| Title | \$124,693,891 | 29 | 0.69% |
| Health | \$15,862,932,881 | 22 | 1.33% |
| Total | \$31,424,638,895 | 27 | 1.16% |
| <i>Source: NAIC Insurance Department Resources Report</i> | | | |

| Cost of Regulation in Kentucky | | |
|-----------------------------------------------------------|-----------------------------|----------------------------------|
| Year | Insurance Department Budget | Dept. Budget Per \$1,000 Premium |
| 2011 | \$19,375,100 | \$1.03 |
| 2012 | \$19,146,400 | \$0.90 |
| 2013 | \$20,076,700 | \$0.92 |
| 2014 | \$16,003,200 | \$0.64 |
| 2015 | \$18,653,600 | \$0.70 |
| 2016 | \$18,846,600 | \$0.67 |
| 2017 | \$19,498,200 | \$0.68 |
| 2018 | \$21,496,200 | \$0.71 |
| 2019 | \$22,219,610 | \$0.72 |
| 2020 | \$20,091,400 | \$0.61 |
| <i>Source: NAIC Insurance Department Resources Report</i> | | |



State Insurance Regulation in Kentucky: Key Facts and Market Trends

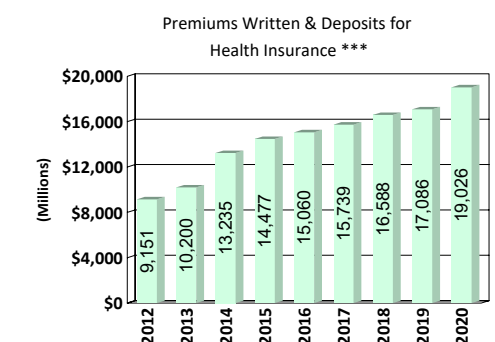
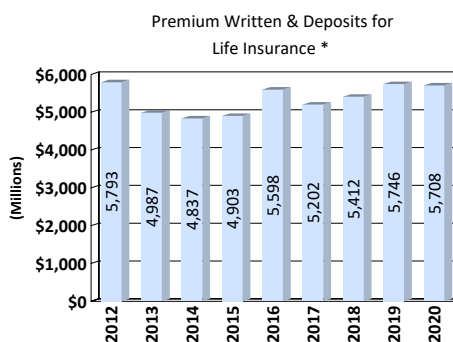
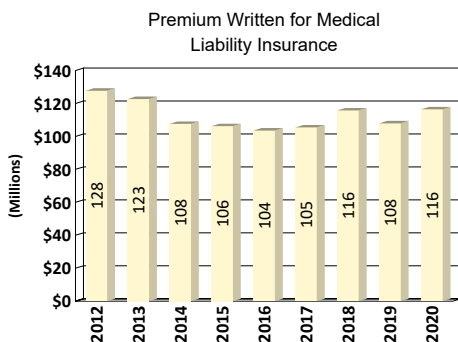
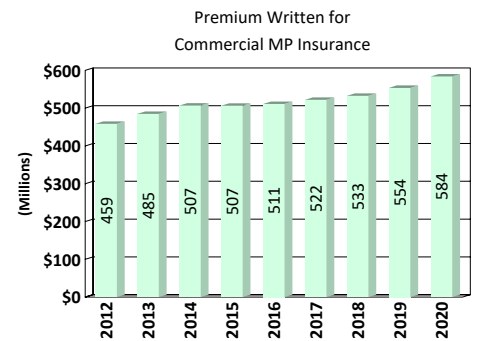
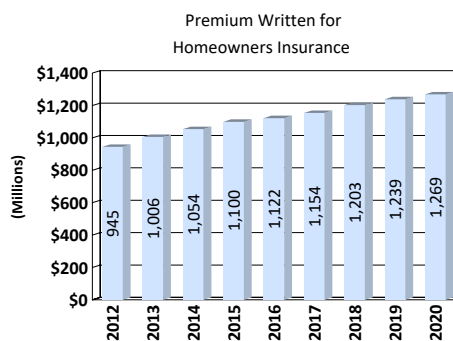
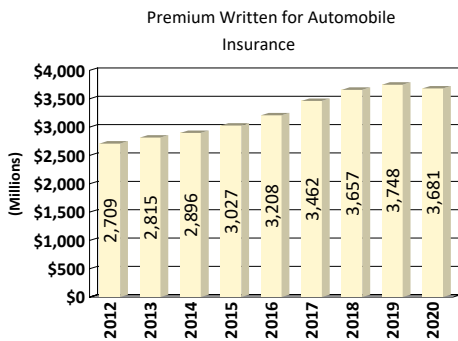
Overview of the 2020 Insurance Market In Kentucky



Source: National Association of Insurance Commissioners.

| Line of Business | Premium Written | State Rank | % of U.S. |
|--------------------------------|------------------------|------------|--------------|
| Automobile | \$3,681,136,351 | 26 | 1.24% |
| Homeowners multiple peril | \$1,268,875,321 | 29 | 1.15% |
| Other | \$594,697,803 | 34 | 0.66% |
| Commercial multi peril | \$583,998,702 | 25 | 1.26% |
| Workers' compensation | \$486,834,522 | 29 | 0.90% |
| Ocean & Inland Marine | \$313,489,371 | 28 | 1.08% |
| Farm | \$308,970,719 | 16 | 2.07% |
| Fire | \$157,024,384 | 30 | 1.00% |
| Allied lines | \$143,796,964 | 33 | 0.88% |
| Medical professional liability | \$116,421,163 | 23 | 1.15% |
| Surety | \$74,395,189 | 29 | 1.08% |
| Accident & Health | \$62,835,520 | 35 | 0.97% |
| Earthquake | \$59,744,581 | 10 | 1.77% |
| Mortgage guaranty | \$44,772,670 | 33 | 0.78% |
| Credit | \$39,128,973 | 13 | 1.89% |
| Boiler and machinery | \$31,453,735 | 22 | 1.63% |
| Products liability | \$28,477,348 | 33 | 0.69% |
| Federal flood | \$12,977,849 | 30 | 0.43% |
| Aircraft (all perils) | \$11,165,986 | 42 | 0.53% |
| Fidelity | \$9,765,371 | 32 | 0.75% |
| Crop | \$7,637,027 | 20 | 0.68% |
| Private Flood | \$5,956,987 | 30 | 0.84% |
| Burglary and theft | \$3,774,294 | 30 | 0.84% |
| Financial guaranty | \$1,676,813 | 28 | 0.40% |
| Total | \$8,049,007,623 | 28 | 1.11% |

Source: National Association of Insurance Commissioners



* Figures include Life, Annuities, Deposit Type Funds, and Other Considerations from the NAIC Life, and Fraternal financial statements.

** Figures include Health data from the NAIC Health, Life, and Fraternal financial statements and California Insurance data.

Figures include data from State Funds where applicable.

State Insurance Regulation in Kentucky: Key Facts and Market Trends

Overview of the 2020 Insurance Market In Kentucky

| Insurance Industry Employment in Kentucky | | | |
|-------------------------------------------|-------------------------------------------|--------------------|---------------------------------------------|
| Year | Insurance Carriers and Related Activities | Insurance Carriers | Agents Brokers and Other Related Activities |
| | 2013 | | 29,025 |
| 2014 | 30,395 | 17,173 | 13,222 |
| 2015 | 32,409 | 17,783 | 14,626 |
| 2016 | 32,921 | 17,691 | 15,230 |
| 2017 | 32,332 | 16,882 | 15,450 |
| 2018 | 31,796 | 15,893 | 15,903 |
| 2019 | 31,902 | 15,647 | 16,256 |
| 2020 | 31,577 | 15,811 | 15,766 |

Source: US Department of Labor, Bureau of Labor Statistics

| Gross Domestic Product for Kentucky (Millions) | | | | |
|-----------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2017 | 2018 | 2019 | 2020 |
| Funds, trusts, and other financial vehicles | \$68 | \$126 | \$120 | N/A |
| Insurance carriers and related activities | \$6,195 | \$6,473 | \$6,299 | N/A |
| Securities, commodity contracts, and other financial investments and related activities | \$1,139 | \$1,296 | \$1,329 | N/A |
| Monetary Authorities-central bank, credit intermediation, and related services | \$4,008 | \$4,383 | \$4,527 | N/A |
| Finance and insurance | \$11,410 | \$12,277 | \$12,275 | \$12,554 |

Source: US Department of Commerce, Bureau of Economic Analysis

