

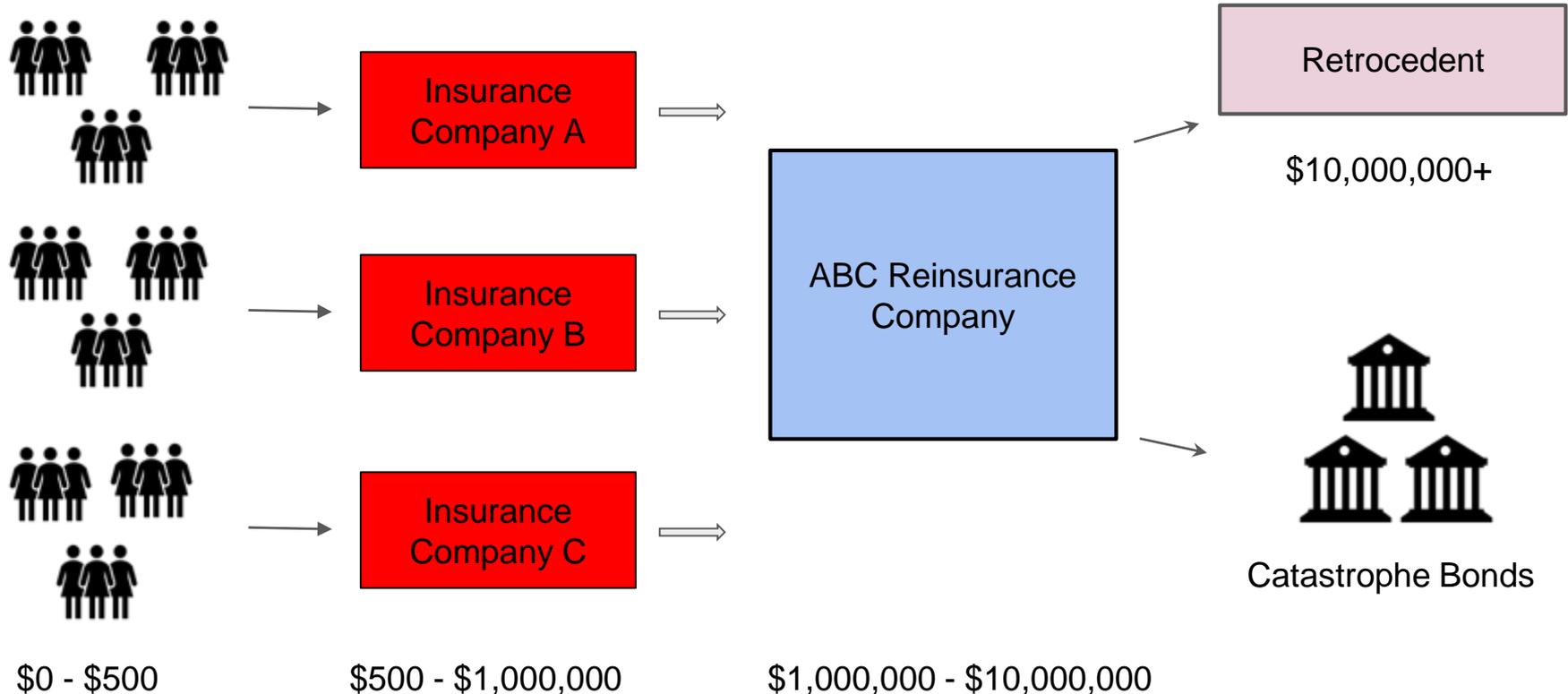
Senate Committee on Finance
September 1, 2020

Insurance Company Losses - Who Pays?

Commissioner Michael Pieciak
Department of Financial Regulation

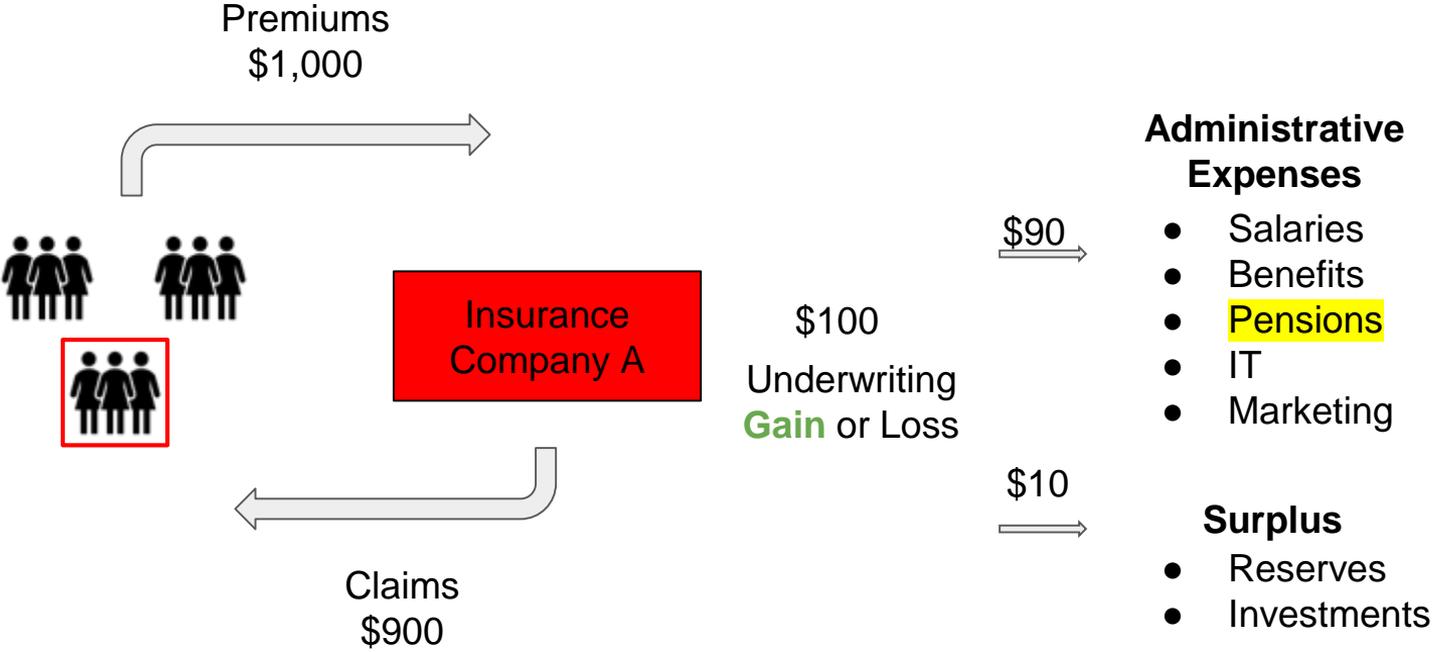


Overview: the Process of Insurance



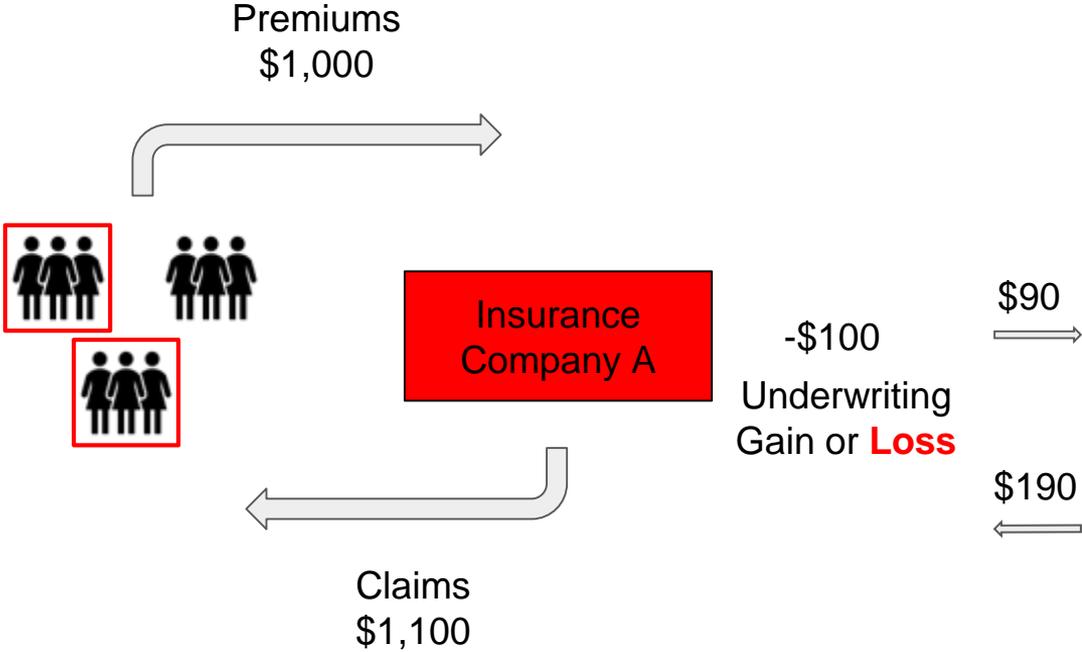
How Insurance Companies Make Money:

Underwriting Example 1



How Insurance Companies Make Money:

Underwriting Example 2



Administrative Expenses

- Salaries
- Benefits
- Pensions
- IT
- Marketing

Surplus

- Reserves
- Investments

How Insurance Companies Make Money:

Administrative Expenses: Pensions

Insurance Company A

\$100
Underwriting
Gain or Loss

\$90



Administrative Expenses

- Salaries
- Benefits
- Pensions
- IT
- Marketing



Federal Law: ERISA
Regulator Federal DOL
For the benefit of pensioners

\$190



Surplus

- Reserves
- Investments



State Insurance Laws
Regulator DFR
For the benefit of policyholders

How Insurance Companies Make Money:

Administrative Expenses: Pensions

Significant Pension Investment Loss:

- 1) Results in **significant** underfunding requiring immediate contribution and payment over time per ERISA
- 1) Results in underfunding requiring payment over time per ERISA
- 1) Other investments over/under perform
- 1) Legal action resulting in recoveries