

AIG State Government Affairs – 2018 Midterm Elections

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DEMOCRATS MAKE SIGNIFICANT GAINS IN STATE GOVERNMENTS; NARROWLY MISS EVEN LARGER WAVE

On a night when Democrats made gains in Congressional districts across the country on their way to taking control of the United States House of Representatives, they were also busy producing results in States across the country.

Propelled by their momentum at the Federal level, State Democrats secured victories across the country in the 2018 midterm elections. Democrats gained 7 Governorships and control of several State legislatures. They also narrowly missed Gubernatorial pickups in several other key States.

Starting in 2019, the political and insurance regulation landscapes will look significantly different than their current compositions:

> Governorships

- 36 States held Gubernatorial elections.
- Democrats were able to pick up 7 Governorships from Republicans, including high-impact pickups in Illinois, Michigan, Maine, Wisconsin, and Kansas.
- Republicans were able to narrowly avoid losing Governorships in high impact states Florida, Georgia, Iowa, and Ohio.

> Insurance Commissioners

- Four elections were held for Insurance Commissioner.
- None of the four elections likely produced a change in party. Republicans held Georgia, Kansas, and Oklahoma while Democrats appear to have held California.
- In 6 of the 8 Commissioners in States where the Governorship changed parties, the Governor appoints the Insurance Commissioner.

> Legislatures

- 46 States held elections for more than 6,000 state legislators.
- Democrats took control of the New York Senate, Connecticut Senate, Maine Senate, Colorado Senate, both of New Hampshire Chambers, and Minnesota's House.

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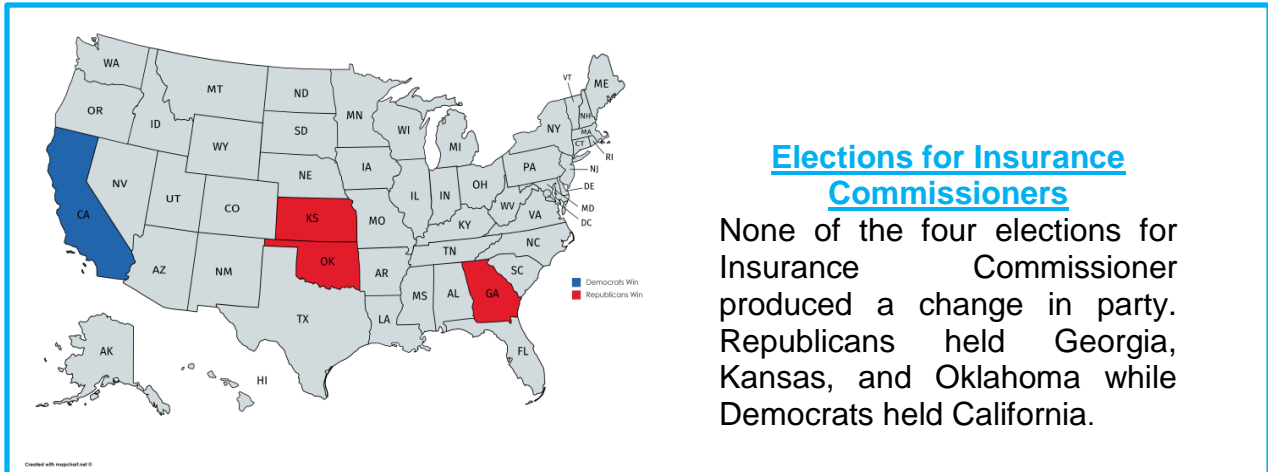
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HIGH IMPACT STATES RESULTS

Democrats were able to make gains in many key states, while narrowly missing in others.

New York

Governor: Incumbent Andrew Cuomo (D) defeats Marc Molinaro (R) 56% to 40%
Legislature: Democrats gain control of Senate

Summary: DEMOCRATS HOLD GOVERNORSHIP, GAIN SENATE. The final week of the campaign saw reports that Incumbent Democratic Governor Andrew Cuomo's lead over Republican challenger Marc Molinaro was shrinking. Cuomo upped his attacks on Molinaro, highlighting his socially conservative stances and tying him to President Trump. In the end, Governor Cuomo cruised to victory with a larger share of the vote than he enjoyed in 2014.

With Democratic Senator Simcha Felder currently caucusing with Republicans in the New York Senate, the Republicans enjoy a one-vote margin of control 32-31. With elections results not final, it appears that the Democrats will have flipped as many as 8 seats, resulting in a potential new Senate makeup that could be as high as 40 Democrats to 23 Republicans.

Takeaway: Democrats now enjoy control of all leadership positions in New York – Governor, Attorney General, Comptroller, Assembly Speaker and Senate Majority Leader. These progressive voices in leadership will likely lead to enhanced regulatory oversight, increased taxes and fees on business and enactment of plaintiff bar initiatives. Rumors continue to circulate that Superintendent Maria Vullo may seek to leave the Department of Financial Services by year end.

California

Insurance Commissioner: Ricardo Lara (D) leading Steve Poizner (I) 50.8% to 49.2% (95.7% precincts in)

Summary: DEMOCRATS LEADING SHOULD HOLD. The race for California Insurance Commissioner featured Democrat Ricardo Lara running against Independent Steve Poizner to replace outgoing Democratic Commissioner Dave Jones. Poizner was previously the California Commissioner as a Republican from 2007-2011. Poizner is seeking to be the first non-party-affiliated candidate elected to statewide office in California's history.

Takeaway: It appears Lara will claim victory as he leads by more than 100,000 votes with 96% of the ballots counted, maintaining the progressive stance of the California Department of Insurance.

Illinois

Governor: JB Pritzker (D) defeats Incumbent Bruce Rauner (R) 55% to 39%

Legislature: Dems gain supermajorities in both House and Senate

Summary: DEM PICKUP. Incumbent Republican Governor Bruce Rauner faced off against Democratic challenger JB Pritzker in a battle of billionaires who largely self-funded their campaigns. The candidates spent over \$250 million on the race, which was never in doubt for the Democrats. Governor Rauner, heavily damaged by a 793-day-long budget impasse and four years of ugly and ineffective battles with Democratic legislative majorities, exits after one term.

Takeaway: Illinois' Insurance Commissioner is appointed by the Governor, which means Director Jennifer Hammer is assuredly on the way out, along with the rest of Rauner's appointees. Hammer is currently the Chair of NAIC's Property and Casualty (C) Committee.

Governor Rauner made pro-business workers' compensation reform one of his top priorities throughout his first term, but made no progress. As Illinois prepares to transition to Governor Pritzker, several bills to reform workers compensation by creating a system of workers compensation rate review and allowing medical providers to seek interest and late fees in court have their fate in question. Governor Rauner had vetoed the bills despite their passing with supermajorities, but it is unclear whether Pritzker will want legislative Democrats to override the vetoes or wait until the 2019 session to pass a new package with Pritzker's own preferred language.

Florida

Governor: Ron DeSantis (R) defeats Andrew Gillum (D) 50% to 49%

Attorney General: Ashley Moody (R) defeats Sean Shaw (D) 52% to 46%

Chief Financial Officer: Incumbent Jimmy Patronis (R) defeats Jeremy Ring (D) 52% to 48%

Summary: REPUBLICAN HOLD. One of the most closely watched Gubernatorial races in the country, Republican Ron DeSantis and Democrat Andrew Gillum faced off to replace Republican Rick Scott, who was term limited out. Gillum held a slim but consistent lead for the last months of the campaign but was unable to finish DeSantis off come Election Day.

Meanwhile, Republicans were also able to hold on to the offices of Agriculture Commissioner and Chief Financial Officer. Both positions hold spots on the panel responsible for choosing Florida's Insurance Commissioner.

Takeaway: The Sunshine State eluded the blue wave, even as it did so with its characteristic razor-thin margins of victory. Democrats had high hopes of flipping the Governorship and a Senate seat in Florida, neither of which happened. Florida Republicans also appeared to avoid losing their majority in the State Senate, although final results are not yet available.

Florida's Commissioner of Insurance Regulation David Altmaier was appointed by Republicans, albeit under convoluted circumstances and not necessarily for partisan reasons. While Altmaier is not guaranteed anything, the stability of party control moving into 2019 bodes much better for his chances than, for instance, a Democratic sweep would have. Altmaier currently chairs the NAIC's Financial Condition (E) Committee, Group Capital Calculation (E) Working Group, Capital Adequacy (E) Task Force, Long Term Care Insurance (B/E) Task Force, and Lender-Placed Insurance Model Act (C) Working Group. He is also Vice-Chair of the Senior Issues (B) Task Force, Title Insurance (C) Task Force, and Catastrophe Insurance (C) Working Group.

Connecticut

Governor: Ned Lamont (D) defeats Bob Stefanowski (R) 48% to 47%

Attorney General: William Tong (D) defeats Sue Hatfield (R) 52% to 47%

Legislature: Democrats take control of Senate

Summary: DEMOCRATS HOLD. Republican Bob Stefanowski and Democrat Ned Lamont faced off to replace Democratic Governor Dannel Malloy in Connecticut. Despite the State's Democratic leanings

and Lamont's efforts to tie Stefanowski to President Trump (who sports a 34% approval rating in the Constitution State), the race remained close and was a tossup heading in to Election Day. In the end, the national anti-Trump wave was too much for Stefanowski to overcome in this blue state.

Takeaway: Connecticut remains under Democratic control with Malloy on the way out and Lamont on the way in. Connecticut's Insurance Commissioner is appointed by the Governor, which means current Commissioner Katie Wade may be on the way out. Wade is currently Chair of NAIC's Northeast Zone and serves as Chair of the International Insurance Relations (G) Committee and ComFrame Development and Analysis (G) Working Group. Wade is also Vice Chair of the Financial Stability (EX) Task Force and the CO-OP Solvency and Receivership (B) Subgroup.

Incoming Attorney General William Tong spent time during his campaign talking tough on insurance regulation, which will be something to keep an eye on.

Georgia

Governor: Brian Kemp (R) defeats Stacey Abrams (D) 50% to 49% (Abrams contesting)

Insurance Commissioner: Jim Beck (R) defeats Janice Laws (D) & Donnie Foster (L) 51% to 47% & 3%

Summary: REPUBLICAN HOLD. Seeking to replace term limited Republican Governor Nathan Deal, the race between Democrat Stacey Abrams and Republican Brian Kemp entered Election Day as a toss-up. The closing week saw Kemp, currently the GA Secretary of State, open an investigation into alleged election hacking by the Georgia Democratic Party. Abrams accused Kemp of exploiting his office and ignoring his conflict of interest to advance his political career. In the end, the blue wave was not enough to elect the first Democratic Governor in Georgia since 2002, although the final tally was close and Abrams has not conceded and is eyeing a possible runoff election if Kemp can be pushed below 50%.

Meanwhile, the election for Insurance Commissioner featured Republican Jim Beck, Democrat Janice Laws, and Libertarian Donnie Foster. The incumbent, Republican Ralph Hudgens, chose not to seek re-election. Beck, a former chief of staff to Hudgens and lobbyist for Nationwide Insurance, was able to overcome an investigation launched against him in June by a federal grand jury.

Takeaway: Incoming Commissioner Beck focused his campaign on reducing regulations on health insurance and reigning-in auto insurance rates in Georgia. Mr. Beck and Bill Melchionni previously worked together on the Nationwide Insurance Government Affairs team and enjoy a close relationship.

Iowa

Governor: Incumbent Kim Reynolds (R) defeats Fred Hubbell (D) 50% to 47%

Legislature: GOP retains majorities in both chambers despite DEM gains

Summary: REPUBLICANS HOLD. Incumbent Republican Governor Kim Reynolds was appointed in May 2017 after previous Governor Terry Branstad left to become Ambassador to China. Democrats nominated Fred Hubbell, a former insurance executive, who maintained a small lead in the polls in the weeks leading up to the election. Despite his popularity and personal wealth, Hubbell was not able to best Reynolds in a state that has trended red over the last elections. (Democrats most recently held the Governorship from 1998-2010). While Democrats picked up five seats in the state House, they lost three seats in the Senate, which means Republicans will maintain control of the Legislature heading into 2019.

Takeaway: Iowa's Insurance Commissioner is appointed, which means current occupant Doug Ommen will likely maintain his position. Ommen, who was appointed by Republican Governor Terry Branstad in 2016, currently serves as the Chair of NAIC's Life Insurance and Annuities (A) Committee, Big Data (EX) Working Group, and CO-OP Solvency and Receivership (B) Subgroup. Ommen also serves as Vice Chair of the Annuity Suitability (A) Working Group.

Michigan

Governor: Gretchen Whitmer (D) defeats Bill Schuette (R) 53% to 44%

Summary: DEMOCRATS PICKUP. Term-limited Republican Governor Rick Snyder's departure left the door open for Democratic candidate Gretchen Whitmer to take on Republican Bill Schuette. Michigan

has not elected governors from the same party consecutively since the 1960s, and the party opposite the president has won nine of the last 10 gubernatorial races. Combined with the strong blue wave this year, Whitmer's victory is not surprising.

Takeaway: Michigan's Insurance Commissioner is appointed, and Whitmer's election means current Commissioner Patrick McPharlin could be moving on. McPharlin is currently the Chair of NAIC's Innovation and Technology (EX) Task Force and Health Actuarial (B) Task Force.

While Whitmer could alter Michigan's insurance policy environment, rising auto insurance rates due to Michigan's status as an unlimited no-fault state will undoubtedly continue to be the focus for any insurance policymaker in Michigan.

Maine

Governor: Janet Mills (D) defeats Shawn Moody (R) – projected, final results pending
Legislature: Dems gain control of Senate, retain control of House

Summary: DEMOCRATS PICKUP. With Incumbent Republican Governor Paul LePage term-limited, the race for Governor was between political newcomer businessman Republican Shawn Moody and current Attorney General Democrat Janet Mills. The race, which had previously been comparatively civil, heated up in the final weeks as Mills attacked Moody based on a 2006 settlement Moody entered with a former employee alleging gender discrimination. Additionally, Independent candidate and former Democrat Alan Caron withdrew from the race on October 29th and promptly endorsed Mills' candidacy.

Takeaway: Maine's Insurance Commissioner is appointed by the Governor, but current Commissioner Eric Cioppa was reappointed to a 5-year term in 2017. Cioppa is NAIC's President-Elect and serves on the Financial Stability Oversight Council.

Wisconsin

Governor: Tony Evers (D) defeats Incumbent Scott Walker (R) 50% to 48%
Legislature: Republicans maintain control of House and Senate

Summary: DEM PICKUP. Republican Incumbent Governor Scott Walker survived three close elections in four years between 2010 and 2014. His staying power is strong enough that one needn't be surprised he kept his 2018 race close despite national headwinds threatening to wipe out President Trump's 0.7% margin of victory in Wisconsin from two years ago. Tony Evers, his Democratic challenger and the State's Superintendent of Public Instruction, ran a campaign focused on attracting moderate and independent Wisconsin voters wary of President Trump. In the end, Evers bested Walker by a little over 30,000 votes. Walker has still not conceded, and apparently he is contemplating a recount, although his options may be limited under a recent law the Legislature passed to limit challenges to elections. While some legislative races are still undecided, Republicans will maintain a 64-35 majority in the House. In the Senate, Republicans picked up a seat, giving them a 19-14 advantage heading into 2019.

Takeaway: Wisconsin's Insurance Commissioner is appointed by the Governor, so Evers' victory means that current Commissioner Ted Nickel may be replaced. Nickel has been Wisconsin's Insurance Commissioner since 2011 and is currently NAIC's Most Recent Past President and serves as Chair of the Regulatory Framework (B) Task Force, Mortgage Guaranty Insurance (E) Task Force, and Health Care Reform Regulatory Alternatives (B) Working Group. Nickel also serves as Vice Chair on the Innovation and Technology (EX) Task Force.

Kansas

Governor: Laura Kelly (D) defeats Kris Kobach (R) & Greg Orman (I) 48% to 43% & 7%
Insurance Commissioner: Vicki Schmidt (R) defeats Nathaniel McLaughlin (D) 63% to 37%

Summary: DEMS PICKUP GOVERNOR, GOP HOLD INSURANCE COMMISSIONER. Kansas featured two open races, both of which were closely contested. Republican Kris Kobach, an extremely conservative candidate backed by President Trump challenged and defeated incumbent Republican Governor Jeff Colyer by a razor-thin margin in the primary and faced off against Democrat Laura Kelly in

the general. The race was close entering Election Day, and in the end the presence of Independent candidate Greg Orman did not siphon off enough moderate voters from Kelly to defeat Kobach.

Incumbent Insurance Commissioner Ken Selzer was also one of the candidates who challenged Governor Colyer in the 6-way Republican primary in August. His withdrawal from a possible re-election bid as Insurance Commissioner brought out Democrat Nathaniel McLaughlin, who ran unopposed in the primary, and Republican Vicki Schmidt, a pharmacist who fended off a strong challenge in the primary from a Clark Schultz, a longtime Insurance Department employee.

Takeaway: Frustrated voters in the Kansas City suburbs and a controversial Republican gubernatorial candidate were the primary factors in the 2018 midterm election results in the Sunflower State. While Kansas saw one of its four congressional districts flip from Republican to Democrat, along with its Governorship, Republicans will maintain control of the Legislature in 2019. Additionally, Republican Vicki Schmidt was able to hold off Democrat Nathaniel McLaughlin by a wide margin to hold the Insurance Commissioner's seat for Republicans.

Ohio

Governor: Mike DeWine (R) defeats Richard Cordray (D) 50% to 46%

Summary: REPUBLICAN HOLD. With incumbent Republican Governor John Kasich term limited, the race for Governor in Ohio was between Republican Mike DeWine and Democrat Richard Cordray. Polling has shown the race to be close throughout the campaign, with Cordray pulling ahead in some polls in the closing weeks.

Takeaway: The blue wave missed Ohio. Congressional Democrats had targeted several Republican seats, but failed to take any of them. Ohio Democrats also had high hopes to take the Governorship, but DeWine ended the night with a comfortable victory. Ohio's Insurance Commissioner is appointed by the Governor, so DeWine's election provides comfort to current Commissioner Jillian Froment. Froment currently serves as Chair on NAIC's Examination Oversight (E) Task Force. Froment is also Vice Chair on the Life Insurance and Annuities (A) Committee and Life Actuarial (A) Task Force.

OTHER NOTABLE STATES RESULTS

Both parties mostly held serve in other States, with a couple exceptions.

Alaska

Governor: Mike Dunleavy (R) defeats Mark Begich (D) & Incumbent Bill Walker (I) 53% to 48% & 2%

Summary: REPUBLICANS PICKUP. With Incumbent Independent Governor Bill Walker withdrawing from the election, the path was cleared for Republican Mike Dunleavy to defeat Democratic Challenger Mark Begich.

Colorado

Legislature: Dems gain control of Senate, picking up 3 seats

Summary: Democrats already control the Governorship and House in Colorado and will now enjoy trifecta control of Colorado State Government.

Minnesota

Governor: Tim Walz (D) defeats Jeff Johnson (R) 54% to 42%

Summary: DEMOCRATS HOLD. With Incumbent Democratic Governor Mark Dayton choosing not to seek re-election, Democrat Tim Waltz was able to hold off Republican Jeff Johnson to maintain Democratic control of the Governorship.

Nevada

Governor: Steve Sisolak (D) defeats Adam Laxalt (R) 49% to 46%

Summary: DEMOCRATS PICKUP. With Incumbent Republican Governor Brian Sandoval term-limited out, Democrat Steve Sisolak was able to defeat Republican Adam Laxalt to establish Democratic trifecta control of Nevada.

New Mexico

Governor: Michelle Lujan Grisham (D) defeats Steve Pearce (R) 57% to 43%

Summary: DEMOCRATS PICKUP. Incumbent Republican Governor Susana Martinez leaves her final term with a 57% approval rating. Democratic candidate Michelle Lujan Grisham capitalized on this sentiment to beat Republican candidate Steve Pearce and achieve trifecta control for Democrats in New Mexico.

Oklahoma

Governor: Kevin Stitt (R) defeats Drew Edmondson (D) 54% to 42%
Insurance Commissioner: Glen Mulready (R) defeats Kimberly Fobbs (D) 62% to 38%

Summary: REPUBLICANS HOLD. Traditionally solid-red Oklahoma saw an unusually close gubernatorial election after the departure of deeply unpopular (61% disapproval rating) term-limited Republican Governor Mary Fallin. Republican Kevin Stitt was able to hold off Democrat Drew Edmondson, winning by a comfortable margin in the end.

Meanwhile, Republican incumbent Commissioner John Doak is term-limited out, which left Republican Glen Mulready and Democrat Kimberly Fobbs to vie for the seat. Mulready ran away with the election, easily surpassing even Stitt's margin of victory.

Oregon

Governor: Incumbent Kate Brown (D) defeats Knute Buehler (R) 49% to 45%

Summary: DEMOCRATS HOLD. Despite Oregon being solidly Democratic (the State hasn't had a Republican Governor since 1987), this race remained close as Republican challenger Knute Buehler successfully distanced himself from President Trump and stayed within range of Incumbent Democratic Governor Kate Brown.

Rhode Island

Governor: Incumbent Gina Raimondo (D) defeats Allan Fung (R) & Joe Trillo (I) 53% to 37% & 4%

Summary: DEMOCRATS HOLD. In a rematch of the 2014 election in which Republican Allan Fung lost to Democrat Gina Raimondo by 4.5 points, Fung was once again unable to keep the race close even with the help of an Independent candidate. Raimondo won re-election by a landslide.

Texas

Governor: Incumbent Greg Abbott (R) defeats Lupe Valdez (D) 55% to 42%

Summary: REPUBLICANS HOLD. Republicans have held a trifecta in Texas since 2003, and Incumbent Republican Governor Greg Abbott easily held off a challenge from Democrat Lupe Valdez to maintain GOP control.