



Insurance Industry Involvement and its Effect on Insurance Commissioner Premiums



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Background Information

- Insurance commissioners regulate insurance premiums in their state, and have a large impact on how much consumers pay for insurance.
- Because of this, it is important to understand the external factors that affect their decisions on rates and premiums.
- Previous research has not found conclusive results on the impact of regulator's prior experience on average insurance premiums in the states.
- This study aims to expand upon previous research by analyzing commissioners' professional background, and its influence on average homeowners premiums.

Methods

1. Collected data on the insurance commissioner's pre- and post-tenure employment from LinkedIn and news articles.
2. Categorize the pre- and post-employment of insurance commissioners into binary variables to be used in a panel data logit regression in Stata
3. Code new categories that allow the insurance industry involvement to be statistically compared to premiums via more coding. (code seen below)

Conclusion & Discussion

The table shows the panel data logistic regression that was analyzed via code. These statistics are for the comparison between the different job experience and average homeowners premiums. This data was compared alongside loss ratios for each commissioner to control for state fixed effects. Our results show a negative relationship between average homeowner insurance premiums in a state and insurance industry experience. Average homeowner insurance premiums are lower in states where the commissioner returned to the insurance industry post tenure or if they worked in the insurance industry pre and post.

Results

Commissioner Involvement	Coefficient	p-value	Interpretation
Pre-Tenure Insurance Experience	-37.444	0.106	Not Significant
Post-Tenure Insurance Experience	-49.329	0.006	Significant
Pre and Post Tenure Insurance Experience	-54.917	0.022	Significant
Loss Ratio	19.106	0.358	Not Significant

R-Squared	.943
Observations	400

Hypothesis

Insurance commissioners who worked in the insurance industry before and/or after their time as commissioner will have statistically different premium outcomes compared to those who did not.

References

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