

Insurance Industry Involvement and its Effect on Insurance Commissioner Premiums

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.

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.

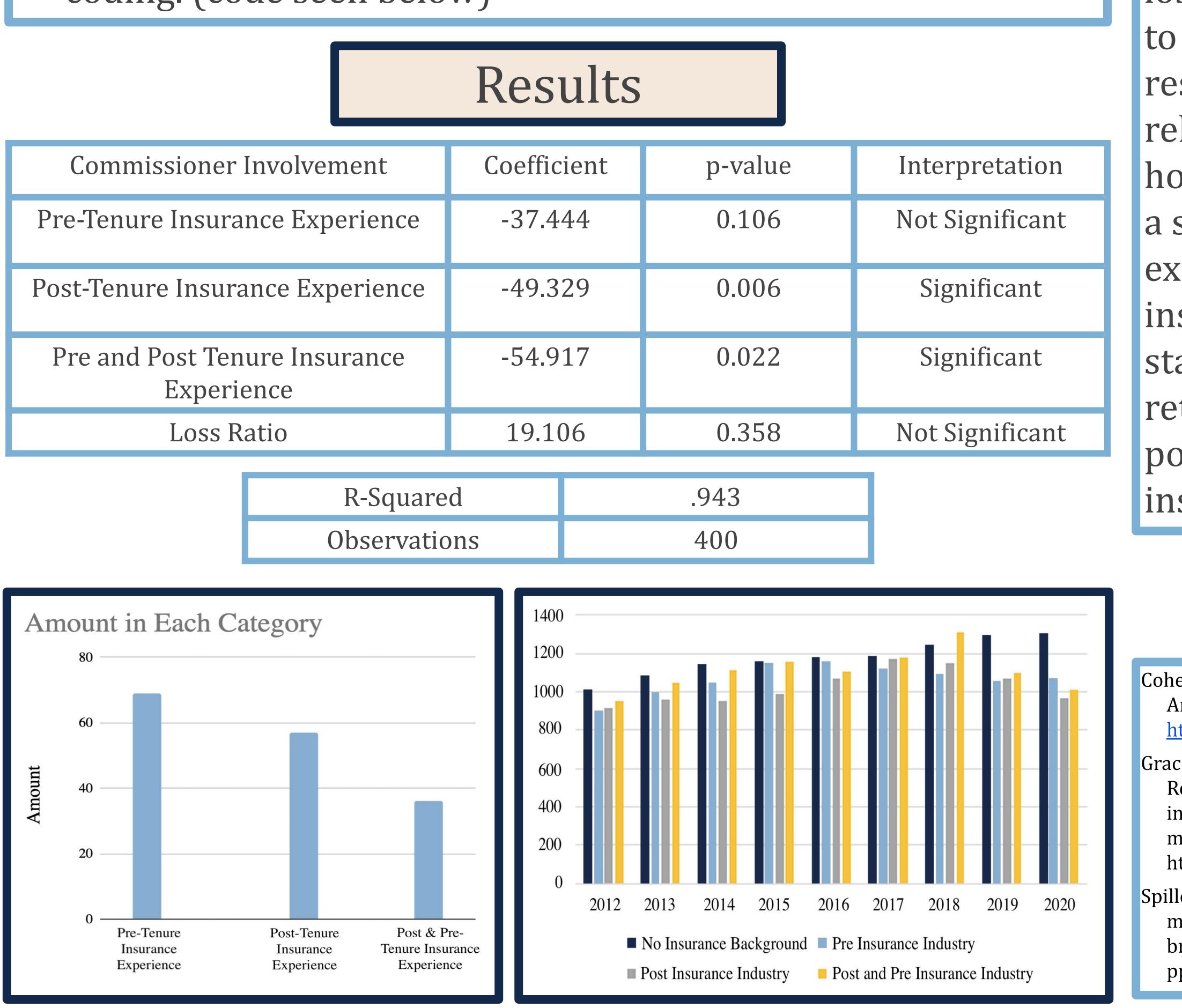
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Methods

- 1. Collected data on the insurance commissioner's pre- and posttenure 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)

	Kesults
Commissioner Involvement	Coefficient
Pre-Tenure Insurance Experience	-37.444
Post-Tenure Insurance Experience	-49.329
Pre and Post Tenure Insurance Experience	-54.917
Loss Ratio	19.106

R-Squared



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.





Conclusion & Discussion

References

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