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The Mississippi Insurance Department (“MID”) announces the release of the data call and analysis initiated by the MID and supplemented by the requirements of House Bill 739, also known as the Clarity Act. Below is an Executive Summary of the process:

EXECUTIVE SUMMARY

Background

In November of 2014, the MID under its existing statutory authority, initiated a Market Analysis Data Call to collect and analyze certain premium and loss information by zip code for homeowners insurance in Mississippi with a due date of March 1, 2015. During the 2015 Legislative session, the Legislature passed House Bill 739 (the “Clarity Act”), effective July 1, 2015, which required the Commissioner of Insurance (“Commissioner”) to collect essentially the same information with the exception of extending the due date to October 1st and adding HO4 (Renters) and HO6 (Condos) policies which were excluded from the initial data call since the objective related mainly to fairness in rates for owner-occupied properties. The data is required to be reported in three policy categories, including Homeowners Policies that include Windstorm Coverage, Homeowners Policies that exclude Windstorm Coverage and All Policies that only include Windstorm Coverage.

Process

In an effort to assist with the collection of the data, the Commissioner engaged Alvarez & Marsal Insurance and Risk Advisory Services, LLC (“A&M”), an independent global consulting firm with expertise in the collection and analysis of data. A&M assisted the Commissioner to develop a data call and was tasked with validating, aggregating and analyzing the data provided. The validation process took substantial time and effort to ensure that the data collected presents an accurate portrayal of the homeowners market in Mississippi. The attached report, entitled Analysis and Interpretation of the Clarity Act Data Call (“Report”), includes a summary of A&M’s analytical approach as well as the results of their analysis comparing homeowners’ insurance premiums and costs by geographic region in Mississippi.

Conclusion

It is important to note that the homeowners’ ratemaking process is largely based upon modeled losses. Actual losses from Hurricanes such as Katrina typically do not get included in rate indications filed by insurers. A key illustration of the impact of actual losses vs. modeled losses is evidenced on Page 24 of the Report which compares the premiums collected relative to cost. Another chart, as illustrated on Page 34 of the Report, compares the different severe weather events throughout the period of the Clarity Act. During this time period, actual results indicate that costs exceed premiums, with a greater differential being noted in the Coastal region. It should be noted that if the actual hurricane losses were not replaced with the modeled losses for rate making purposes, the coastal rates post-Katrina would have been higher than they are today, creating an even greater rate differential between the Coastal and Inland regions. Overall, on a statewide basis, when looking at the premium collected relative to cost, insurance companies writing homeowners coverage in Mississippi over the past twenty-five (25) years experienced a -9.6% Average Return on Net Worth (Page 28).

The results in the attached Report appear to indicate that no one particular region is subsidizing another. The Report may also be found at www.mid.ms.gov.

Mike Chaney
Commissioner of Insurance