



## MISSISSIPPI INSURANCE DEPARTMENT

501 N. WEST STREET, SUITE 1001  
WOOLFOLK BUILDING  
JACKSON, MISSISSIPPI 39201  
[www.mid.ms.gov](http://www.mid.ms.gov)

MAILING ADDRESS  
Post Office Box 79  
Jackson, MS 39205-0079  
TELEPHONE: (601) 359-3569  
FAX: (601) 576-2568

**MIKE CHANEY**  
Commissioner of Insurance  
State Fire Marshal

**MARK HAIRE**  
Deputy Commissioner of Insurance

April 19, 2022

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**

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 receive and aggregate insurers' homeowner claims loss data for the purposes of determining the accuracy and adequacy of catastrophic models and determine the adequacy of rates by data calls as prescribed in the Clarity Act. 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 23 of the Report which compares the premiums collected relative to cost. Other charts, as illustrated on Pages 32 thru 34 of the Report, compares the different severe weather events throughout the period of the Clarity Act. During the time period of 2004-2010, 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, when comparing the costs by region as illustrated on pages 18-20, losses, alae and reinsurance attributable to hurricanes are the primary factors which create the difference in insurers' actual cost.

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](http://www.mid.ms.gov).