Data processing guide for:

Market Discipline and Government Guarantees: Evidence from the Insurance Industry

Deng, Leverty, Wunder, and Zanjani (2024)

Prepared: 9/18/2024

In this document, we first describe our data sources. Much of our data is available for purchase, while other data is publicly available at no cost. While the guaranty fund coverage data is available to the public through the state statutes, we include this data as part of our data package. Second, we describe our data cleaning process to facilitate replication of the results, once all data has been collected.

Data sources

1. Our primary source of data is the statutory insurer filings obtained from the National Association of Insurance Commissioners. This data is available for purchase directly from the NAIC. We use the following *pages* from the NAIC data:
   - Demographics
   - "Page 14" (i.e., the state page)
   - Assets
   - Schedule T
   - Income
   - Underwriting and Investment Exhibit (Part 1B - Premiums Written)
2. We identify changes in insurer financial ratings using data obtained from AM Best.
3. State-level guaranty fund limits and wealth provisions were obtained from various current and historical state statutes. These values are found in the paper (Table 2).
4. Details of line coverage across states over time were obtained from various state statutes. In addition to being a key part of our identification strategy, this data was used to create Figure 2. It is included as *Covered Lines.csv*.
5. We also use insurer insolvency data, (GRID) data, which is publicly available from the NAIC.

Data cleaning and preparation

1. Using the NAIC state page, we collect losses and direct premiums written (DPW) at the state level for affiliated and unaffiliated single insurers (i.e., insurers having company codes less than 10000). We include only observations for the 50 U.S. states and Washington, D.C. We require that all firm-state-line-year observations have (1) reported DPW of at least $10,000, and (2) non-negative reported losses. This forms our initial data set.
2. We then collect total assets from the NAIC Asset page for each observation. We require positive reported total assets.
3. We collect reinsurance data from the NAIC Underwriting and Investment Exhibit. We consider a firm having assumed reinsurance from non-affiliates in excess of DPW to be a reinsurer. We remove reinsurers from our primary analyses.

4. We use NAIC Schedule T to identify firm-state-year licensing status.
5. Data from A.M. Best is then used to identify the financial rating for each firm-year.
6. We use NAIC Demographics to identify organizational form, and we keep only stocks and mutuals.
7. We then add state-line-year guaranty fund coverage identifiers (i.e., using *Covered Lines.csv*).
8. Finally, we drop workers' compensation (WC) observations belonging to state-years having a monopolistic WC market.