The Effect of Political Frictions on Long Term Care Insurance
AFA 2020 Meeting

Jessica Liu and Weiling Liu

January 5, 2020
Roughly 66% of people aged 65+ in U.S. will need long term care (LTC) services, which assist with Activities of Daily Living (ADLs).
LTCI Background

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- Cost of LTC can be very high.
- Medicaid and Medicare only provide limited coverage under extreme financial or health conditions.
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Cost of LTC can be very high.

Medicaid and Medicare only provide limited coverage under extreme financial or health conditions.

Created in the 1980’s, long term care insurance (LTCI) provided a potential safety net for millions of Americans.
Today, the Market is Unraveling

Another Big Long-Term Care Insurance Premium Hike

By Howard Gleckman, CONTRIBUTOR
I cover news on Washington FULL BIO
Opinions expressed by BeltwayBrief contributors are their own.

The state Division of Insurance has negotiated rate increases of up to 40 percent spread over four years with more than a dozen long-term care insurance companies in an effort to stabilize the troubled and shrinking market for this coverage.

John Hancock Withdrawing From Long-Term Care Market

By Deirdre Fernandes | GLOBE STAFF JANUARY 20, 2017

John Hancock Financial, owned by Manulife Financial Corp., a Canadian firm, is pulling out of the long-term care insurance market this December. John Hancock has been one of the largest long-term care insurance providers in the United States with over 1.2 million outstanding policies.
The LTCI Market Today

- Average LTCI premiums have been rising while supply is falling.
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Actuarial evidence suggest LTCI is underpriced (eg interest rates, life expectancy, lapse rates).
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- Over the last 7 years, LTCI prices appear to be sticky.
The LTCI Market Today

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Research Question

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Research Question

- The LTCI market is unraveling.
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- We focus on the supply side and add a regulatory dimension.
  - Since regulators must approve all price changes, how do regulators affect prices in the LTCI market?
  - Political considerations may lead regulators to disallow necessary rate increases, exacerbating profit loss and firm dropout.
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- We focus on the supply side and add a regulatory dimension.
  - Since regulators must approve all price changes, how do regulators affect prices in the LTCI market?
  - Political considerations may lead regulators to disallow necessary rate increases, exacerbating profit loss and firm dropout.
  - We hypothesize that regulators are tougher on companies during election years, if he is a Democrat, and if he does not need to raise campaign funds
Overview

1 Data

2 Empirical Results on LTCI Prices

3 Empirical Results on Insurer Profit and Supply

4 Brief Overview of Model

5 Conclusion
1 Data

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Data

In addition to regulatory reports, we hand-collected novel data from state websites as well as individual PDF filings.

PREMIUMS AND CLAIMS

- National Association of Insurance Commissioner (NAIC) Long Term Care Experience Reports
  - all Life Insurance Companies
  - sample from 1997-2015
  - state x company x year

ELECTION CYCLES

- Insurance Commissioner office tenure dates, winning vote share, and financing
  - hand collected from state election websites
  - sample from 1997-2015
  - state x year
Data

APPROVAL RATES (2 sources)

- California Long Term Care Rate and History Guide
  - displays rate history for all LTC policies sold by any company that wrote LTC policies in California in the past ten years
  - state x company x year
  - sample from 2007-2015

- NAIC System for Electronic Rate & Forms Filing (SERFF)
  - hand collected missing data based upon pdf filings
  - nationwide sample from 2007-2015
  - state x company x year
Example of PDF filing

[Image of a PDF filing]

- **Insurance Company Name**: The Prudential
- **Regulator title, usually the state insurance commissioner**: The Honorable Joel Ario
- **Statement of purpose**: We enclose for your review a long-term care insurance rate schedule change. We are requesting the approval of a premium rate increase for the above referenced forms.
- **Description of product**: These forms were previously approved by the Department on April 12, 1999. This policy series was sold nationwide during the period of 1998 through 2004. They are no longer being marketed in any state.
- **Basic characterization of requested rate changes**: We are proposing the premiums on policies that do not include the optional Cash Benefit Rider be increased by 18%. The premiums on policies with the optional Cash Benefit Rider would be increased by 28%. Some of Prudential's pricing assumptions for these policies, although based on the best information then available, were not consistent with our emerging experience. In addition, the historical and projected loss ratios of the business with the Cash Benefit Rider are significantly higher than those of the reimbursement model business. The rate increase is needed to help ensure that future premiums, in combination with existing reserves, will be adequate to fund anticipated claims. This same increase is also being requested nationwide on the comparable forms to those listed above. We have tried to keep these increases as low as
2 Empirical Results on LTCI Prices

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Empirical Findings on Prices

How did insurance regulators affect LTCI prices?
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- We answer this using premium change requests (2007-2015).
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- We examine how 4 dimensions of regulators’ political climate affected LTCI price changes:
Empirical Findings on Prices

How did insurance regulators affect LTCI prices?

- We answer this using premium change requests (2007-2015).
- We examine how 4 dimensions of regulators’ political climate affected LTCI price changes:

  1. Election cycles
  2. Political capital
  3. Party affiliation
  4. Campaign financing
Part 1: Election Cycles

Gary D. Anderson (MA):

- State insurance commissioners are either elected (12/50 states) or appointed.
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Part 1: Election Cycles

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- State insurance commissioners are either elected (12/50 states) or appointed.

- Typical elections cycles last 4 years, but some last 2 years.

- Election cycles are staggered across states.

- Since large premium increases generate negative press, regulators may either reject premium change requests or grant a smaller amount than requested.
Part 1: Election Cycles

- How did the magnitude of rate increases vary over the election cycle?
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Part 1: Election Cycles

- How did the probability of getting a rate increase vary over the election cycle?
Part 1: Election Cycles

- How did the probability of getting a rate increase vary over the election cycle?

![Graph showing the probability of approval over years left in term.](image)
### Part 1: Election Cycles

Regulators become more stringent closer to re-election.

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Size of Increase</td>
<td>Prob of Approval, All</td>
<td>Prob of Approval, New</td>
</tr>
<tr>
<td>Years Left in Term</td>
<td>0.57***</td>
<td>1.84***</td>
<td>2.09**</td>
</tr>
<tr>
<td></td>
<td>(0.19)</td>
<td>(0.62)</td>
<td>(0.90)</td>
</tr>
<tr>
<td>Mean Dependent Variable</td>
<td>13.02</td>
<td>54.64</td>
<td>53.52</td>
</tr>
<tr>
<td>State FE and Year FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Company FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Number of Observations</td>
<td>9,043</td>
<td>9,043</td>
<td>6,108</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.17</td>
<td>0.21</td>
<td>0.20</td>
</tr>
</tbody>
</table>

Note: Levels of significance: * 10%, ** 5%, *** 1%.
Part 1: Election Cycles

Two follow up questions:

1. Do elected versus appointed regulators respond differentially to election cycles?

2. How do companies respond to regulators’ election cycles?
Part 1a: Elected vs Appointed Regulators

Elected regulators have a sharper response to election cycles than appointed regulators.

<table>
<thead>
<tr>
<th>Commissioner Directly Elected</th>
<th>Appointed Commissioner</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Prob of Approval</td>
<td>Size of Increase</td>
</tr>
<tr>
<td>Years Left in Term</td>
<td>1.86**</td>
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<tr>
<td></td>
<td>(0.74)</td>
</tr>
<tr>
<td>Mean Dependent Variable</td>
<td>58.03</td>
</tr>
<tr>
<td>State FE and Year FE</td>
<td>Yes</td>
</tr>
<tr>
<td>Company FE</td>
<td>Yes</td>
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<tr>
<td>Number of Observations</td>
<td>2,369</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.23</td>
</tr>
</tbody>
</table>

Note: Levels of significance: * 10%, ** 5%, *** 1%.
Part1b: Companies’ Behavior during Election Cycles

Companies are not significantly more likely to apply or ask for a bigger increase closer to re-election.

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Size of Requested Increase</td>
<td>Number of Requests</td>
</tr>
<tr>
<td>Years Left in Term</td>
<td>0.03</td>
<td>0.04</td>
</tr>
<tr>
<td></td>
<td>(0.11)</td>
<td>(0.03)</td>
</tr>
<tr>
<td>Mean Dependent Variable</td>
<td>10.03</td>
<td>1.70</td>
</tr>
<tr>
<td>State FE and Year FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Company FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Number of Observations</td>
<td>21,956</td>
<td>21,956</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.11</td>
<td>0.20</td>
</tr>
</tbody>
</table>

Note: Levels of significance: * 10%, ** 5%, *** 1%.
Part 2: Political Capital

Regulators with higher vote share are less sensitive to re-election.

<table>
<thead>
<tr>
<th></th>
<th>Prob of Approval</th>
<th>Size of Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Years Left in Term</td>
<td>2.39***</td>
<td>3.11**</td>
</tr>
<tr>
<td></td>
<td>(0.57)</td>
<td>(1.00)</td>
</tr>
<tr>
<td>Winning Vote Margin</td>
<td>0.04</td>
<td>0.13</td>
</tr>
<tr>
<td></td>
<td>(0.07)</td>
<td>(0.09)</td>
</tr>
<tr>
<td>Years Left in Term × Winning Vote Margin</td>
<td>-0.03</td>
<td>-0.05**</td>
</tr>
<tr>
<td></td>
<td>(0.03)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>Mean Dependent Variable</td>
<td>58.33</td>
<td>58.33</td>
</tr>
<tr>
<td>State FE and Year FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Company FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Number of Observations</td>
<td>2,291</td>
<td>2,291</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.24</td>
<td>0.24</td>
</tr>
</tbody>
</table>

Note: Levels of significance: * 10%, ** 5%, *** 1%.
# Part 3: Party Affiliation

Democrats are more stringent, but similarly sensitive to re-election.

<table>
<thead>
<tr>
<th></th>
<th>Prob of Approval</th>
<th>Size of Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Years Left in Term</td>
<td>1.77***</td>
<td>1.40*</td>
</tr>
<tr>
<td></td>
<td>(0.61)</td>
<td>(0.83)</td>
</tr>
<tr>
<td>Democrat</td>
<td>-8.30***</td>
<td>-10.27***</td>
</tr>
<tr>
<td></td>
<td>(2.32)</td>
<td>(3.49)</td>
</tr>
<tr>
<td>Years Left in Term x Democrat</td>
<td>0.79</td>
<td>0.09</td>
</tr>
<tr>
<td></td>
<td>(1.31)</td>
<td>(0.43)</td>
</tr>
</tbody>
</table>

Mean Dependent Variable 51.78 51.78 12.54 12.54
State FE and Year FE Yes Yes Yes Yes
Company FE Yes Yes Yes Yes
Number of Observations 9,043 9,043 9,043 9,043
R-squared 0.21 0.21 0.17 0.17

Note: Levels of significance: * 10%, ** 5%, *** 1%.
Regulators with more cash/fewer contributions are more stringent.

<table>
<thead>
<tr>
<th></th>
<th>Prob of Approval</th>
<th>Size of Increase</th>
<th>Prob of Approval</th>
<th>Size of Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>Years Left in Term</td>
<td>1.97*</td>
<td>0.77**</td>
<td>1.86*</td>
<td>0.75**</td>
</tr>
<tr>
<td></td>
<td>(0.92)</td>
<td>(0.24)</td>
<td>(0.84)</td>
<td>(0.24)</td>
</tr>
<tr>
<td>Cash on Hand</td>
<td>-0.32*</td>
<td>-0.17**</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.15)</td>
<td>(0.06)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Campaign Contributions</td>
<td></td>
<td></td>
<td>0.20***</td>
<td>0.03***</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.04)</td>
<td>(0.01)</td>
</tr>
<tr>
<td>Mean Dependent Variable</td>
<td>57.54</td>
<td>11.88</td>
<td>57.43</td>
<td>11.85</td>
</tr>
<tr>
<td>State FE and Year FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Company FE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Number of Observations</td>
<td>2,167</td>
<td>2,167</td>
<td>2,148</td>
<td>2,148</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.25</td>
<td>0.17</td>
<td>0.26</td>
<td>0.17</td>
</tr>
</tbody>
</table>

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Anecdotal Evidence

“Massachusetts lags behind virtually every other state in taking timely action in response to rate increase filings and in granting necessary rate increases.”

- Genworth (2017 Statement)

“We have suspended sales in Hawaii, Massachusetts, New Hampshire, and Vermont, and will consider similar actions in other states where we are unable to make satisfactory rate increases…”

- Genworth (2017 10Q)
Empirical Findings on Insurer Dropout

How did insurance regulators affect LTCI supply?
Empirical Findings on Insurer Dropout

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- We hypothesize that pricing frictions may cause profit loss, and thus, decreased supply.
Empirical Findings on Insurer Dropout

How did insurance regulators affect LTCI supply?

- We hypothesize that pricing frictions may cause profit loss, and thus, decreased supply.
- To test this, we examine:
  1. How profits accumulated over time depending on the state regulator
  2. How dropouts varied over time depending on the state regulator
Insurer Profits Over Time

States experiencing more election cycle frictions earn less profits.

(a) Actual Profits

(b) Actual Minus Expected Profits
Insurer Dropout

States with more stringent regulators experienced more dropouts.

(a) Number of Company Exits versus Probability of Approval

(b) Number of Company Exits versus Size of Approved Increase
Empirical Results on LTCI Prices

Empirical Results on Insurer Profit and Supply

Brief Overview of Model

Conclusion
Model

In order to estimate equilibrium effects on prices and supply, we estimate a structural model.
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- In every period, the regulator chooses a max allowable price increase based on expected path of prices and costs.
Model

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- The regulator trades off between insurer profits (campaign financing) and consumer surplus (constituents’ votes).
- In every period, the regulator chooses a max allowable price increase based on expected path of prices and costs.
- The company can choose to pay fixed cost to receive the price increase.
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- The company can choose to pay fixed cost to receive the price increase.
- If company expects to make negative profits, it drops out of the market.
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- In every period, the regulator chooses a max allowable price increase based on expected path of prices and costs.
- The company can choose to pay fixed cost to receive the price increase.
- If company expects to make negative profits, it drops out of the market.

Using calibrated model, we find that when cost shocks are high, election cycle frictions can generate negative welfare loss.
Data

Empirical Results on LTCI Prices

Empirical Results on Insurer Profit and Supply

Brief Overview of Model

Conclusion
Conclusion

- We present new evidence that political frictions affected prices and supply in the LTCI market.

6% higher after re-election, 10% of uncond avg

To attenuate election cycle frictions, states could introduce longer tenure lengths or a rotating committee of regulators.
Conclusion

- We present new evidence that political frictions affected prices and supply in the LTCI market.
- Both probability of approval and size of approved increase are bigger when regulators:
  1. are further from re-election (6% higher after re-election, 10% of uncond avg)
  2. are not democrats
  3. have less stock of funding

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Thank You!

Email: we.liu@northeastern.edu
To estimate equilibrium outcomes and simulate counterfactual states of the world, we build an infinite-horizon structural model.
Structural Model

To estimate equilibrium outcomes and simulate counterfactual states of the world, we build an infinite-horizon structural model.

In each period,

- Both players observe a random cost shock $\theta$.
- The regulator chooses a maximum allowable per-person premium increase, $\hat{p}$.
- Knowing $\hat{p}$, the company decides whether to pay to obtain rate increase.
- The company drops out of the market if it expects negative profits.
Model: Consumer Problem

There are a finite number of consumers in the LTCI market, \( N \).

In each period, consumer \( i \)'s utility from insurer \( j \) is

\[
U_{ij} = \beta_j - \alpha p_j + \epsilon_{ij}
\]

where

- \( \epsilon_{ij} \) is i.i.d with mean 0 extreme value distribution.
- \( \beta_j \) is an unobserved company fixed effect
- \( p_j \) is the price of company \( j \)'s LTCI policy.
- If consumers choose the outside option (not buy insurance), \( j = 0 \).
Model: Insurer Problem

The per-period insurer payoff is given by:

\[ u_j(\text{apply}_j, \text{drop}_j, p_j, t_j, y, \theta_j; \nu) = (p_j \times (1 + \hat{p}_j \times I(\text{apply}_j = 1)) \]
\[ - t_j) \times N_j - \text{AppCost} \times I(\text{apply}_j = 1) + \text{ScrapValue} \]

where \( N_j = s_j \times Q \) is total consumers, \( p_j \) is unit price, \( t_j \) is annualized cost, \( y \) is years left in term, \( \text{AppCost} \) is the application cost, \( \hat{p}_j \) is the max allowable price increase, and \( \theta_j \) is per-period cost shock.
Model: Insurer Problem

The per-period insurer payoff is given by:

\[
u_j(\text{apply}_j, \text{drop}_j, p_j, t_j, y, \theta_j; \nu) = (p_j \ast (1 + \hat{p}_j \ast \mathbb{1}(\text{apply}_j = 1)) - t_j) \ast N_j - \text{AppCost} \ast \mathbb{1}(\text{apply}_j = 1) + \text{ScrapValue}\]

where \(N_j = s_j \ast Q\) is total consumers, \(p_j\) is unit price, \(t_j\) is annualized cost, \(y\) is years left in term, \(\text{AppCost}\) is the application cost, \(\hat{p}_j\) is the max allowable price increase, and \(\theta_j\) is per-period cost shock.

The dynamic problem is given by:

\[
V_j(p_j, t_j, y; \text{apply}_j, \text{drop}_j, \nu) = \max\{0, u_j + \beta \mathbb{E}[V_j(p'_j, t'_j, y'; \text{apply}_j, \text{drop}_j, \nu) | p_j, t_j, y, \text{apply}_j, \text{drop}_j, \nu]\}\]

where \(p'\) is next period’s premium level and \(t'\) is next period’s claims.
In each period, if the company is in business, the regulator chooses an allowed rate increase $\hat{p}$ to maximize:

$$V_r = \left( E[CV(p, \hat{p}; \nu)] \right)^{0.5} * \left( E[V_j(p, t, y; apply_j, drop_j, \nu)] \right)^{0.5}$$

geometric mean of consumer surplus and profits

$$+ \gamma * \frac{E[CV(p, \hat{p}; \nu)]}{y^\kappa}$$

re-election pressure

where $\gamma$ and $\kappa$ are parameters to be estimated, and

$$E[CV(p_j, \hat{p}; \nu)] = \sum_{m=0}^{\infty} \beta^m E[(\beta_j - \alpha p_{jm}) * N_{jm}|p_{j0} = p_j; \beta_j, \alpha].$$
Model Fit

We calibrate the model by estimating parameters $AppCost$, $\gamma$, $\kappa$, and $ScrapValue$ using a two-step procedure outlined in Bajari and Levin (2007).

![Figure: Model Fit](image)

<table>
<thead>
<tr>
<th></th>
<th>Model Moments</th>
<th>Data Moments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Targeted Moments</strong></td>
<td></td>
<td></td>
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<tr>
<td>Mean Premium Increase</td>
<td>0.04</td>
<td>0.05</td>
</tr>
<tr>
<td>Mean Dropout Probability</td>
<td>0.12</td>
<td>0.14</td>
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<tr>
<td>Mean Application Probability</td>
<td>0.22</td>
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<tr>
<td><strong>Un-Targeted Moments</strong></td>
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<tr>
<td>Std. Dev. Premium Increase</td>
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<tr>
<td>Std. Dev. Dropout Probability</td>
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<tr>
<td>Std. Dev. Application Probability</td>
<td>0.43</td>
<td>0.44</td>
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</table>
Model Fit for Conditional Price Moments

![Graph showing model fit for conditional price moments]

Years Left in Regulator Term

0.00 0.01 0.02 0.03 0.04 0.05 0.06 0.07

Model Fit Considerations
Counterfactuals
Starting from calibration, we analyze how equilibrium would change if:

1. Election cycle pressure were removed
2. Cost shocks were decreased

(a) Optimal Price Increases Rates

(b) Welfare Gains
Our model fit may not be ideal for several reasons.

For tractability, we have:

- Focused upon pricing frictions and abstracted away from market structure considerations
- Modeled one representative cohort of consumers
- Chosen a reduced form equation for regulator utility
Part 2: Tenure Length as Political Capital

- Average tenure length of a commissioner is 4.3 years, and median (75th percentile) is 4 (7) years.
Part 2: Tenure Length as Political Capital

- Average tenure length of a commissioner is 4.3 years, and median (75th percentile) is 4 (7) years.
- A long tenure of 7 or more years alleviates re-election pressure.

<table>
<thead>
<tr>
<th>Prob of Approval</th>
<th>Size of Increase</th>
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<tbody>
<tr>
<td></td>
<td>(1) (2) (3) (4)</td>
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<tr>
<td>Years Left in Term</td>
<td>1.84*** 2.45***</td>
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<tr>
<td></td>
<td>(0.64) (0.72)</td>
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<tr>
<td>Long Tenure</td>
<td>-0.01 7.19*</td>
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<td></td>
<td>(2.78) (3.98)</td>
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<tr>
<td>Years Left in Term x Long Tenure</td>
<td>-3.14*</td>
</tr>
<tr>
<td></td>
<td>(1.63)</td>
</tr>
</tbody>
</table>

Mean Dependent Variable: 51.78 51.78 12.54 12.54
State FE and Year FE: Yes Yes Yes Yes
Company FE: Yes Yes Yes Yes
Number of Observations: 9,043 9,043 9,043 9,043
R-squared: 0.21 0.21 0.17 0.17

Note: Levels of significance: * 10%, ** 5%, *** 1%.
### Horserace

<table>
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<tbody>
<tr>
<td><strong>Years Left in Term</strong></td>
<td>0.78**</td>
</tr>
<tr>
<td></td>
<td>(0.25)</td>
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<tr>
<td><strong>Campaign Contributions</strong></td>
<td>0.02**</td>
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<tr>
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<tr>
<td><strong>Cash on Hand</strong></td>
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<tr>
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<td>(0.07)</td>
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<td><strong>State FE and Year FE</strong></td>
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<tr>
<td><strong>Company FE</strong></td>
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<tr>
<td><strong>Number of Observations</strong></td>
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<tr>
<td><strong>R-squared</strong></td>
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Note: Levels of significance: * 10%, ** 5%, *** 1%.
# Firms’ Response to Democrats

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<th>Num Policies Requested</th>
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<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
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<tr>
<td>Years Left in Term</td>
<td>0.04</td>
<td>0.06</td>
</tr>
<tr>
<td></td>
<td>(0.03)</td>
<td>(0.05)</td>
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<tr>
<td>Democrat</td>
<td>0.15</td>
<td>0.25</td>
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<tr>
<td></td>
<td>(0.10)</td>
<td>(0.16)</td>
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<tr>
<td>Years Left in Term x Democrat</td>
<td>-0.04</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.06)</td>
<td></td>
</tr>
<tr>
<td>Mean Dependent Variable</td>
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<td>51.78</td>
</tr>
<tr>
<td>State FE and Year FE</td>
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<td>Yes</td>
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<tr>
<td>Company FE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Number of Observations</td>
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<td>21,956</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.20</td>
<td>0.20</td>
</tr>
</tbody>
</table>

Note: Levels of significance: * 10%, ** 5%, *** 1%.