

## **Recommendations from Committee Member Steve Burgess**

Committee Scope: The full actuarial value to be reflected in premium credits for windstorm mitigation.

Background: As more Floridians engage in home hardening activities, those activities should be reflected in insurance companies' approved rates. Rate increase indications are based on a comparison of an insurer's trended loss ratio to a target loss ratio. When an insurer's filing does not fully reflect the hardening characteristics of the houses being insured, the numerator of the trended loss ratio will be overstated, resulting in an excessive rate increase. When this happens, the advantage to a homeowner of obtaining a discount for home hardening can be negated by an increase to the base rate.

**Recommend the Legislature require that by a date certain all insurance rate calculations include a defined level of specificity on the windstorm mitigation profile of each carrier's book of business**

Background:

Currently, the Office of Insurance Regulation relies on a study performed by Applied Research Associates (ARA) in 2001. The multiple hurricanes of 2004 and 2005 had widespread impact in many areas of Florida, providing an opportunity to gather large amounts of more accurate data on the effectiveness of recent building code changes. Further, to the extent that modeled default entries for missing data understate the saturation of home hardening efforts in recent years, indicated rates will be overstated. With all the home hardening that has taken place since 2001 and will continue, it is important that these efforts be reflected in the ratesetting process.

**Recommend the Legislature direct the Office of Insurance Regulation to perform an updated windstorm loss relativity study.**