

FLORIDA HOMEOWNERS RATEMAKING

IMPACT OF MITIGATION CREDITS

Moving From a Partially Informed Market to Fully Informed

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Assumed Perfect Information

Moving from a market that is partially informed to fully informed

Assumption for this analysis:

Loss Distribution is scaled by amount of Mitigation Credit applied.

Question should be posed to the Modelers:

IS THIS ACCURATE?

How does the loss distribution adjust for a Mitigated block?

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Example Non Mitigated Risk to Risk With Mitigation Features

Market with Partial Information

	Non Mitigated Risk			Risks w 60% Mit Credit		
	Total	Wind	Non Wind	Total	Wind	Non Wind
Premium	1,000,000	625,000	375,000	625,000	250,000	375,000
Non Cat Losses	250,000	-	250,000	250,000	-	250,000
Retained Cat Losses	25,000	25,000	-	10,000	10,000	-
Gross Private Cat Reins Prem	412,500	412,500	-	265,000	265,000	-
FHCF Reins Premium	62,500	62,500	-	56,250	56,250	-
Expenses / Profit	250,000	125,000	125,000	175,000	50,000	125,000
Totals	1,000,000	625,000	375,000	756,250	381,250	375,000
Deficiency	-	-	-	131,250	131,250	
				Premium Deficiency	21.0%	

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Example Non Mitigated Risk to Risk With Mitigation Features

Assuming Perfect Information

	Non Mitigated Risk			Risks w 60% Mit Credit		
	Total	Wind	Non Wind	Total	Wind	Non Wind
Premium	1,000,000	625,000	375,000	625,000	250,000	375,000
Non Cat Losses	250,000	-	250,000	250,000	-	250,000
Retained Cat Losses	25,000	25,000	-	10,000	10,000	-
Gross Private Cat Reins Prem	412,500	412,500	-	165,000	165,000	-
FHCF Reins Premium	62,500	62,500	-	56,250	56,250	-
Expenses / Profit	250,000	125,000	125,000	175,000	50,000	125,000
Totals	1,000,000	625,000	375,000	656,250	281,250	375,000

Premium Deficiency 5.0%

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Example Non Mitigated Risk to With Mitigation Features

	Non Mitigated Loss & LAE	Mitigated Loss & LAE
Average Annual Loss	250,000	100,000
Retention	25,000	10,000
FHCF Attachment	459,147 1 in 10	413,232 1 in 24
Exhaustion of FHCF	1,673,562 1 in 49	1,506,206 1 in 192
Exhaustion of TICL	2,380,648 1 in 56	2,142,583 1 in 400
Estimated PML	2,500,000 1 in 93	1,000,000 1 in 100
FHCF Limit	993,613	894,251
TICL Limit	578,525	520,673 Would Not Be Purchased
Other Reins Coverage	902,863	484,814
	(Other Reinsurance Purchased to Fund 1 in 100 Event)	
Other Reins Prem	383,653	165,000
Rate on Line	42.5%	34.0%

WINDSTORM LOSS REDUCTION CREDITS
SECTION 627.0629(1), F.S.
WIND PREMIUM CREDITS FOR EXISTING CONSTRUCTION

				TERRAIN B - 2% DEDUCTIBLE				TERRAIN C - 2% DEDUCTIBLE			
				FRAME, MASONRY, OR REINFORCED MASONRY							
				ROOF SHAPE				ROOF SHAPE			
				OTHER		HIP		OTHER		HIP	
ROOF COVER	ROOF DECK ATTACHMENT	ROOF-WALL CONNECTION	OPENING PROTECTION	NO SWR	SWR	NO SWR	SWR	NO SWR	SWR	NO SWR	SWR
			None	0.00	0.06	0.47	0.50	0.00	0.07	0.28	0.32
		TOE NAILS	Basic - Windows or All	0.35	0.42	0.62	0.65	0.29	0.38	0.56	0.62
			Hurricane - Windows or All	0.44	0.51	0.66	0.70	0.39	0.48	0.64	0.72
			None	0.35	0.42	0.62	0.66	0.18	0.26	0.44	0.51
		CLIPS	Basic - Windows or All	0.47	0.54	0.68	0.73	0.38	0.48	0.64	0.72
			Hurricane - Windows or All	0.50	0.57	0.70	0.74	0.44	0.54	0.68	0.76
NON - FBC EQUIVALENT	A (6d @ 6" / 12")		None	0.35	0.43	0.62	0.67	0.20	0.28	0.45	0.51
		SINGLE WRAPS	Basic - Windows or All	0.47	0.55	0.68	0.73	0.39	0.49	0.64	0.72
			Hurricane - Windows or All	0.50	0.58	0.70	0.74	0.44	0.54	0.68	0.76
			None	0.35	0.43	0.62	0.66	0.21	0.28	0.45	0.51
		DOUBLE WRAPS	Basic - Windows or All	0.47	0.55	0.68	0.73	0.39	0.49	0.64	0.72
			Hurricane - Windows or All	0.50	0.58	0.70	0.74	0.44	0.54	0.68	0.76
			None	0.09	0.14	0.49	0.52	0.09	0.14	0.29	0.33
		TOE NAILS	Basic - Windows or All	0.46	0.51	0.63	0.66	0.44	0.50	0.59	0.64
			Hurricane - Windows or All	0.56	0.61	0.68	0.71	0.55	0.61	0.69	0.74
			None	0.58	0.65	0.68	0.73	0.38	0.44	0.57	0.65
		CLIPS	Basic - Windows or All	0.65	0.70	0.73	0.76	0.63	0.71	0.73	0.79
			Hurricane - Windows or All	0.66	0.72	0.73	0.77	0.69	0.78	0.76	0.83
NON - FBC EQUIVALENT	B (8d @ 6" / 12")		None	0.60	0.68	0.68	0.73	0.48	0.58	0.60	0.71
		SINGLE WRAPS	Basic - Windows or All	0.67	0.73	0.73	0.77	0.67	0.76	0.74	0.81
			Hurricane - Windows or All	0.68	0.73	0.73	0.77	0.70	0.80	0.76	0.83
			None	0.60	0.68	0.68	0.73	0.51	0.63	0.61	0.72
		DOUBLE WRAPS	Basic - Windows or All	0.67	0.73	0.73	0.77	0.68	0.79	0.74	0.82
			Hurricane - Windows or All	0.68	0.74	0.73	0.77	0.71	0.81	0.76	0.83
			None	0.09	0.14	0.49	0.51	0.09	0.14	0.29	0.33
		TOE NAILS	Basic - Windows or All	0.46	0.51	0.63	0.66	0.45	0.51	0.59	0.64
			Hurricane - Windows or All	0.57	0.61	0.68	0.71	0.56	0.61	0.69	0.74
			None	0.59	0.65	0.68	0.73	0.39	0.45	0.57	0.65
		CLIPS	Basic - Windows or All	0.65	0.70	0.73	0.76	0.64	0.71	0.73	0.79
			Hurricane - Windows or All	0.67	0.72	0.73	0.77	0.71	0.79	0.76	0.83
NON - FBC EQUIVALENT	D (8d @ 6" / 6")		None	0.62	0.69	0.68	0.73	0.49	0.60	0.61	0.73
		SINGLE WRAPS	Basic - Windows or All	0.68	0.73	0.73	0.77	0.69	0.78	0.75	0.82
			Hurricane - Windows or All	0.68	0.74	0.73	0.77	0.73	0.81	0.76	0.83
			None	0.62	0.70	0.68	0.73	0.55	0.71	0.61	0.74
		DOUBLE WRAPS	Basic - Windows or All	0.68	0.74	0.73	0.77	0.72	0.81	0.76	0.83
			Hurricane - Windows or All	0.69	0.74	0.73	0.77	0.74	0.83	0.77	0.84
			None	0.11	0.14	0.55	0.56	0.07	0.10	0.33	0.36
		TOE NAILS	Basic - Windows or All	0.47	0.49	0.70	0.71	0.39	0.42	0.63	0.65
			Hurricane - Windows or All	0.57	0.58	0.75	0.76	0.49	0.52	0.73	0.75
			None	0.49	0.50	0.72	0.73	0.28	0.30	0.53	0.54
		CLIPS	Basic - Windows or All	0.60	0.62	0.78	0.78	0.50	0.53	0.73	0.76
			Hurricane - Windows or All	0.63	0.65	0.79	0.80	0.56	0.58	0.78	0.80
FBC EQUIVALENT	A (6d @ 6" / 12")		None	0.49	0.50	0.72	0.73	0.30	0.32	0.53	0.55
		SINGLE WRAPS	Basic - Windows or All	0.60	0.62	0.78	0.78	0.51	0.54	0.73	0.76
			Hurricane - Windows or All	0.63	0.65	0.79	0.80	0.56	0.59	0.78	0.80
			None	0.49	0.51	0.72	0.73	0.30	0.33	0.53	0.55
		DOUBLE WRAPS	Basic - Windows or All	0.61	0.62	0.78	0.78	0.51	0.54	0.73	0.76
			Hurricane - Windows or All	0.63	0.65	0.79	0.80	0.56	0.59	0.78	0.80
			None	0.18	0.20	0.57	0.57	0.15	0.18	0.35	0.37
		TOE NAILS	Basic - Windows or All	0.55	0.57	0.71	0.72	0.51	0.53	0.66	0.67
			Hurricane - Windows or All	0.66	0.67	0.76	0.77	0.63	0.64	0.76	0.78
			None	0.70	0.71	0.78	0.79	0.46	0.48	0.66	0.68
		CLIPS	Basic - Windows or All	0.75	0.76	0.81	0.82	0.71	0.74	0.81	0.83
			Hurricane - Windows or All	0.77	0.78	0.82	0.83	0.78	0.81	0.84	0.86
FBC EQUIVALENT	B (8d @ 6" / 12")		None	0.73	0.74	0.78	0.79	0.58	0.61	0.71	0.74
		SINGLE WRAPS	Basic - Windows or All	0.78	0.79	0.82	0.83	0.76	0.79	0.83	0.85
			Hurricane - Windows or All	0.78	0.80	0.82	0.83	0.80	0.83	0.84	0.86
			None	0.73	0.75	0.78	0.79	0.63	0.67	0.72	0.76
		DOUBLE WRAPS	Basic - Windows or All	0.78	0.80	0.82	0.83	0.78	0.82	0.83	0.86
			Hurricane - Windows or All	0.78	0.80	0.82	0.83	0.80	0.84	0.84	0.86
			None	0.18	0.20	0.57	0.57	0.15	0.18	0.35	0.37
		TOE NAILS	Basic - Windows or All	0.56	0.57	0.71	0.72	0.51	0.54	0.66	0.67
			Hurricane - Windows or All	0.66	0.68	0.76	0.77	0.63	0.65	0.76	0.78
			None	0.70	0.72	0.78	0.79	0.46	0.48	0.66	0.69
		CLIPS	Basic - Windows or All	0.76	0.77	0.81	0.82	0.73	0.74	0.81	0.83
			Hurricane - Windows or All	0.78	0.78	0.82	0.83	0.80	0.82	0.84	0.86
FBC EQUIVALENT	D (8d @ 6" / 6")		None	0.74	0.76	0.78	0.79	0.60	0.63	0.72	0.76
		SINGLE WRAPS	Basic - Windows or All	0.78	0.80	0.82	0.83	0.78	0.81	0.83	0.86
			Hurricane - Windows or All	0.79	0.80	0.82	0.83	0.82	0.84	0.84	0.86
			None	0.74	0.76	0.78	0.79	0.68	0.74	0.73	0.78
		DOUBLE WRAPS	Basic - Windows or All	0.79	0.81	0.82	0.83	0.81	0.84	0.84	0.86
			Hurricane - Windows or All	0.79	0.81	0.82	0.83	0.83	0.86	0.84	0.87
			None					0.82			0.80
		REINFORCED CONCRETE ROOF DECK	Basic - Windows or All					0.84			0.88
			Hurricane - Windows or All					0.84			0.88

**WINDSTORM LOSS REDUCTION CREDITS
SECTION 627.0629(1), F.S.
WIND PREMIUM CREDITS FOR NEW CONSTRUCTION**

FBC 2001 CONSTRUCTION						FRAME, MASONRY, OR REINFORCED MASONRY							
ROOF DECK	TERRAIN EXPOSURE	FBC WIND SPEED (MPH)	WIND SPEED OF DESIGN (MPH)	INTERNAL PRESSURE DESIGN	WBDR	OTHER ROOF SHAPE				HIP ROOF SHAPE			
						NO OPENING PROTECTION		OPENING PROTECTION		NO OPENING PROTECTION		OPENING PROTECTION	
						NO SWR	SWR	NO SWR	SWR	NO SWR	SWR	NO SWR	SWR
OTHER ROOF DECK	B	100	≥100	ENCLOSED	NO	0.68	0.69	0.74	0.74	0.78	0.79	0.81	0.81
OR DIMENSIONAL LUMBER DECK	B	110	≥110	ENCLOSED	NO	0.72	0.73	0.78	0.78	0.78	0.79	0.82	0.83
	B	≥120	≥120	ENCLOSED	NO	0.74	0.75	0.79	0.79	0.78	0.78	0.82	0.82
	B OR C	≥120	≥120	ENCLOSED / PART. ENCL	YES	0.77	0.80	0.82	0.84	0.81	0.83	0.85	0.86
	HVHZ			ENCLOSED	YES			0.82	0.84			0.85	0.86
REINFORCED CONCRETE ROOF DECK	B	ANY		ENCLOSED	NO						0.81		0.85
	B	ANY		ENCLOSED / PART. ENCL	YES						0.82		0.85
	C	ANY		ENCLOSED / PART. ENCL	YES						0.81		0.89
	HVHZ			ENCLOSED	YES								0.89

FBC = FLORIDA BUILDING CODE
 HVHZ = HIGH VELOCITY HURRICANE ZONE (Miami-Dade and Broward counties, FBC sections 202 AND 1611ff)
 WBDR = WIND BORNE DEBRIS REGION
 SWR = SECONDARY WATER RESISTANCE
 REINFORCED CONCRETE ROOF DECK includes SWR; Integral with Reinforced Masonry Walls
 PART. ENCL = PARTIALLY ENCLOSED