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September 23, 2011

Mr. Mike Milnes
Office of Insurance Regulation
200 East Gaines Street
Tallahassee, FL 32399

RE: Proposed Revisions to Form OIR-B1-1802

Dear Mr. Mike:

Thank you for the Office of Insurance Regulation's continuing efforts to adopt revisions to the mitigation discount verification form (OIR-B1-1802 or "Verification Form"). We appreciate the opportunities you have allowed for interested parties to provide comments relating to proposed revisions.

The most recent hearing on September 20, 2011, revealed two primary areas of discussion in which members of the insurance industry have advise me that additional information may be helpful.

Insurers Must be Able to Review the Accuracy of Verification Forms and Order Reinspections When Appropriate

The hearing included considerable discussion regarding whether the Verification Form should be valid for "up to" five years as it currently provides or whether the form should suggest that it is always valid for five years without exception. Some insurers have departments dedicated to reviewing Verification Forms, confirming the information presented, and conducting reinspections when needed. Insurers must continue to be able to assess the accuracy of the Verification Forms in order to facilitate a viable private insurance market. For example, an insurer might receive an application for potential new business together with a previously-completed Verification Form from a vendor with whom the insurer is not familiar (or perhaps from a vendor the insurer knows to have submitted questionable forms in the past). To properly underwrite this risk, the insurer must be able to review the accuracy of the Verification Form and, if desired, order a reinspection. If the Verification Form instead implies that the insurer is precluded from evaluating the form's accuracy or reinspecting the risk simply because another insurer accepted it two or three years ago, the subsequent insurer might decline the risk altogether because it has concerns about the true nature of the risk in relation to the heavily

discounted premiums. This result can be avoided simply by allowing the insurer to evaluate the accuracy of the previously-completed form and reinspect the property if appropriate.

Insurers must retain the flexibility to make these decisions on a case-by-case basis. The recent hearing included a hypothetical example of a home being inspected three or four times if a consumer changes insurers. However, reinspecting risks is costly, and many insurers therefore seek to conduct reinspections only when the existing report appears to be inaccurate. A scenario more common than the one discussed at the hearing is that a consumer obtains an inspection from a vendor and secures coverage with an insurer that does not have personnel dedicated to verifying the information provided in Verification Forms. Two or three years later, the consumer seeks to change insurers and provides the same Verification Form to the subsequent insurer. The subsequent insurer identifies potential errors in the form and will not accept it or will require a reinspection. The subsequent insurer should not be precluded from performing this review or conducting a reinspection simply because another insurer previously failed to identify potential deficiencies in the responses.

Finally, establishing a rigid five-year acceptance period for the Verifications Forms will limit the ability of consumers, the construction industry, insurers and regulators to effectively implement future changes. Our collective knowledge about storm loss mitigation techniques and how to evaluate and record homes' storm-worthiness undoubtedly will improve over time. By specifying that the existing version of the Verification Form must be valid for five years in all instances, we (collectively) would be limiting our ability to improve the process. The verification process already has seen an example of why interested parties should not want to adhere to a rigid five-year rule. The initial version of the form proved to be susceptible to inaccuracies and fraud. After considerable review and public input, the OIR then revised the form to better ensure that completed forms accurately reflect the features of the homes purported to be inspected. If a mandatory five-year validity period were applied to the older forms, insurers still today would be required to accept the older version of the form, which would not be conducive to proper underwriting and insurers' desire to write new business. Going forward, we cannot foresee all of the ways the verification process might need to be updated. Thus, while an insured generally should be able to enjoy the benefits of a properly completed Verification Form for five years, the form should retain the current flexibility to allow for proper underwriting in appropriate cases and otherwise would become a deterrent to writing new business.

The Verification Form Should Include Only Features that Have Been Studied to Determine Their Impact on Loss Relativities as Part of the Homes' Overall Systems

A portion of the recent hearing focused on potentially including references in the Verification Form to wind mitigation devices for which form OIR-B1-1699 (the "Discount Table") does not provide a corresponding discount. Over time, various products undoubtedly have been and will continue to be developed that are beneficial for consumers in reducing potential hurricane losses to their homes. However, we do not believe individual insurers, nor respectfully the OIR, are in a position to evaluate the effectiveness of specific products or to determine how particular products might reduce hurricane losses on a stand-alone basis or in

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conjunction with other construction techniques or loss mitigation devices. The purpose of the Verification Form is to determine which features *corresponding to the Discount Table* are present in residential properties so insurers can apply, and policyholders receive, the proper discounts.

Including mitigation devices in the Verification Form that have not been analyzed for their impact on the adopted discounts and underlying loss relativities might lead to consumer confusion because the Verification Form then would imply that the devices reduce consumers' premiums when they do not. The Verification Form already is a complex document that requires training to complete and administer. The current form frequently results in follow up inquiries from consumers to their agents or insurers. Adding devices for which no credit applies will only add to the challenge of conveying to consumers how the discounts are applied. In addition, including devices for which there is no corresponding credit creates a precedent by which sellers of other devices might request to be included in future versions of the Verification Form. We believe the proper process for including construction techniques and mitigation devices in the Verification Form begins with assessing how those techniques and devices relate to homes as a whole such as was done in the Applied Research Associates study. The Verification Form should reflect only those features for which discounts apply based upon the underlying analysis.

Please let me know if you have any questions about this submission.

Sincerely,



Travis Miller