



Office of Insurance Regulation

Update on the Presumed Factor Program

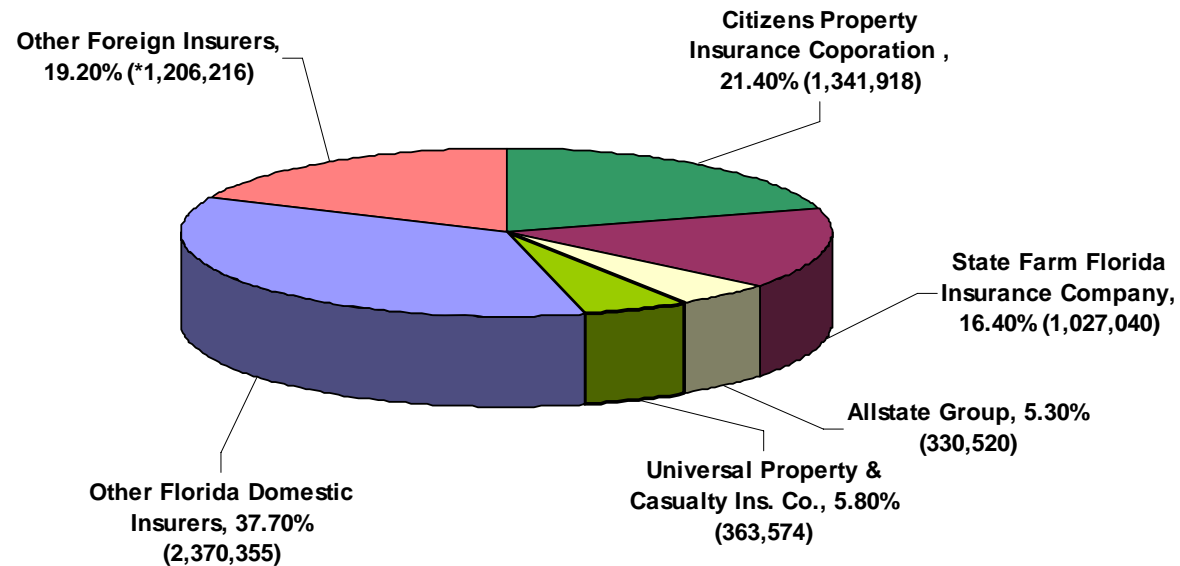
Presentation to the Senate Committee on Banking and Insurance

January 8, 2008



Florida Market Share Report

Quarter Ending September 30, 2007



* Number of Policies Written

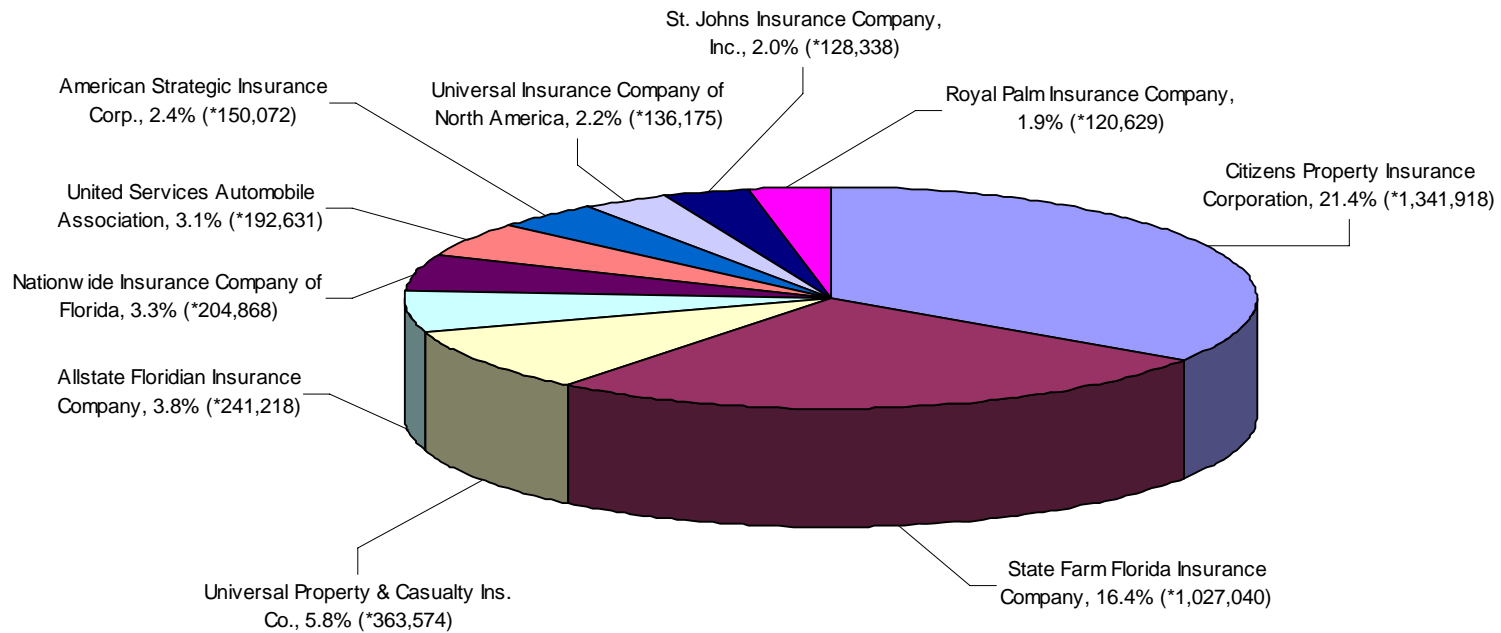
Source: QUASAR Quarterly Supplemental Report Top 400 Companies Ranked by Policies in Force Quarter Ending 9-30-2007

- Citizens Property Insurance Corporation
- State Farm Florida Insurance Company
- Allstate Group
- Universal Property & Casualty Ins. Co.
- Other Florida Domestic Insurers
- Other Foreign Insurers



Florida Market Share Report

Top 10 Companies Ranked by Policies in Force Quarter Ended September 30, 2007



* Number of Policies Written

Source: QUASAR Quarterly Supplemental Report Top 400 Companies Ranked by Policies in Force Quarter Ending 9-30-2007



House Bill 1A Reforms

- ✓ Expansion of the CAT fund for two years
- ✓ Requirement that insurers reduce rates by “Presumed Factors”
- ✓ Elimination of “use and file” and arbitration
- ✓ Rollback of Citizens rates (21.4% approved; 50+ percent would have come into effect to meet prior law to charge rate as if Citizens bought reinsurance)
- ✓ Mitigation – Policyholder notification of increased discounts required
- ✓ Coastal Construction Zone (after 1/1/09 new construction must meet code-plus standard to qualify for Citizens coverage)
- ✓ Citizens eligibility (now eligible if private insurer rate is more than 15% higher)
- ✓ Sinkhole reform- Citizens pilot for Pasco & Hernando
- ✓ 1/1/08 must write homeowners to continue to write auto if insurance company meets statutory criteria
- ✓ More options for homeowners (contents; wind exclusions)



Timeline of Events

January 2007

- ✓ **House Bill 1A Engrossed**
 - State made \$12B in less expensive reinsurance available to residential property insurers
 - In exchange, insurers were required to pass on the savings to policyholders in the form of lower rates
 - Required the Office to determine those savings by implementing the Presumed Factor or an estimate of the savings to be realized



Timeline of Events (cont.)

February 2007

✓ **Presumed Factor Order**

The Office issued an Order requiring all property insurers to comply with HB 1A and submit estimated savings or Presumed Factor filings

Required all property insurers to file a second or “True-Up” filing after the insurer concludes negotiating its actual 2007 reinsurance contracts



Timeline of Events (cont.)

March 2007

- ✓ **Presumed Factor Report**
The Office issued the *Presumed Factor Report* as a guideline of insurer savings with complete methodology provided
- ✓ **Companies submit Presumed Factor filings (March 15th)**
Short Form: Adopts the Office's Presumed Factor (use & file method)
Long Form: Deviates from the Presumed Factor but contains documentation to justify the deviation; (file & use method)
Both filings contain the executed reinsurance contract and an affidavit signed by the CEO or CFO and Chief Actuary that certifies the information provided in the filing is accurate



Timeline of Events (cont.)

Summer 2007

- ✓ **May 2007:**
Financial Services Commission finalized Florida Hurricane Catastrophe Fund's contract and pricing
- ✓ **June 1, 2007:**
Effective date of Presumed Factor rate reductions: Must be implemented for new and renewed policies issued on or after this date
- ✓ **September 30, 2007:** (extended to October 1, 2007)
Last date for submission of "True-Up" filings (file & use with effective dates 90 days after filing)



FAIR. FAST.
PROFESSIONAL.

Presumed Factors

Percent discount to direct hurricane premium for expanded Cat fund limits(TICL)

Cat Fund Region	1 billion	2 billion	3 billion	4 billion	5 billion	6 billion	7 billion	8 billion	9 billion	10 billion	11 billion	12 billion	Rapid Cash Buildup
1	2.7%	5.2%	7.6%	9.9%	12.0%	14.1%	16.0%	17.8%	19.5%	21.1%	22.7%	24.2%	2.5%
2	3.7%	7.3%	10.6%	13.7%	16.7%	19.5%	22.1%	24.6%	27.0%	29.3%	31.5%	33.6%	3.4%
3	4.5%	8.8%	12.9%	16.7%	20.3%	23.7%	26.9%	30.0%	32.8%	35.6%	38.3%	40.8%	4.1%
4	4.6%	9.0%	13.1%	17.1%	20.7%	24.2%	27.4%	30.6%	33.5%	36.4%	39.1%	41.7%	4.2%
5	4.7%	9.2%	13.4%	17.4%	21.1%	24.7%	28.0%	31.2%	34.2%	37.1%	39.9%	42.5%	4.3%
6	4.8%	9.4%	13.7%	17.7%	21.5%	25.2%	28.6%	31.8%	34.9%	37.8%	40.7%	43.4%	4.4%
7	4.9%	9.6%	13.9%	18.1%	21.9%	25.7%	29.1%	32.4%	35.6%	38.6%	41.5%	44.2%	4.5%
8	5.0%	9.8%	14.3%	18.6%	22.6%	26.4%	30.0%	33.4%	36.6%	39.7%	42.7%	45.5%	4.6%
9	5.1%	10.0%	14.6%	19.0%	23.0%	26.9%	30.5%	34.0%	37.3%	40.4%	43.5%	46.3%	4.7%
10	5.2%	10.2%	14.9%	19.3%	23.4%	27.4%	31.1%	34.6%	38.0%	41.2%	44.3%	47.2%	4.8%
11	5.3%	10.4%	15.1%	19.7%	23.8%	27.9%	31.6%	35.3%	38.6%	41.9%	45.1%	48.0%	4.9%
12	5.4%	10.6%	15.4%	20.0%	24.3%	28.4%	32.2%	35.9%	39.3%	42.7%	45.9%	48.9%	4.9%
13	5.5%	10.8%	15.7%	20.4%	24.7%	28.9%	32.8%	36.5%	40.0%	43.4%	46.7%	49.7%	5.0%
14	5.6%	10.9%	15.9%	20.7%	25.1%	29.4%	33.3%	37.1%	40.7%	44.1%	47.5%	50.6%	5.1%
15	5.7%	11.1%	16.2%	21.1%	25.5%	29.9%	33.9%	37.8%	41.4%	44.9%	48.3%	51.4%	5.2%
16	5.8%	11.3%	16.5%	21.4%	26.0%	30.4%	34.4%	38.4%	42.1%	45.6%	49.1%	52.3%	5.3%
17	5.9%	11.5%	16.8%	21.8%	26.4%	30.9%	35.0%	39.0%	42.8%	46.4%	49.9%	53.1%	5.4%
18	6.2%	12.1%	17.6%	22.8%	27.6%	32.4%	36.7%	40.9%	44.8%	48.6%	52.3%	55.7%	5.6%
19	6.4%	12.5%	18.2%	23.7%	28.7%	33.6%	38.1%	42.4%	46.5%	50.5%	54.3%	57.8%	5.8%
20	6.6%	13.0%	18.9%	24.5%	29.8%	34.8%	39.5%	44.0%	48.2%	52.3%	56.3%	59.9%	6.1%
21	6.9%	13.4%	19.6%	25.4%	30.8%	36.1%	40.9%	45.6%	49.9%	54.2%	58.3%	62.1%	6.3%
22	7.1%	13.9%	20.2%	26.3%	31.9%	37.3%	42.3%	47.1%	51.6%	56.0%	60.2%	64.2%	6.5%
23	7.2%	14.2%	20.6%	26.8%	32.5%	38.0%	43.1%	48.0%	52.7%	57.1%	61.4%	65.5%	6.6%
24	7.3%	14.3%	20.8%	27.0%	32.7%	38.3%	43.4%	48.4%	53.0%	57.5%	61.8%	65.9%	6.7%
25	7.4%	14.4%	21.0%	27.3%	33.1%	38.8%	44.0%	49.0%	53.7%	58.2%	62.6%	66.7%	6.8%



Presumed Factor - True-Up Filings

As of January 3rd

- ✓ **Homeowners:**
 - 24 – Pending
 - 32 – Approved
 - 31 – Notice of intent to disapprove/ Disapproved
 - 5 – Withdrawn

- ✓ **Mobile Homeowners:**
 - 4 – Pending
 - 7 – Approved
 - 9 – Notice of intent to disapprove/ Disapproved
 - 1 – Withdrawn



Presumed Factor - True-Up Filings

As of January 3rd



Range of Presumed Factor and True-Up Filings for Homeowners Multi-peril:

Approved Filings

Average: - 21.9%*

Range: -0.9% to -43.1%

Represents 717,706 Policies or 17.6% of market share

*Does not include rate filings with zero percent change nor is the average weighted by market share. State Farm Florida, which filed a -7% presumed factor and -1.5% true up, is not included in the above information.

NOI/Disapproved Filings

Average Proposed: +12.8%**

Range: -21 to +50%

Represents 1,327,322 Policies or 32.5% of market share

Pending Filings

Average Proposed: -11.1%**

Range: -2 to -22.4

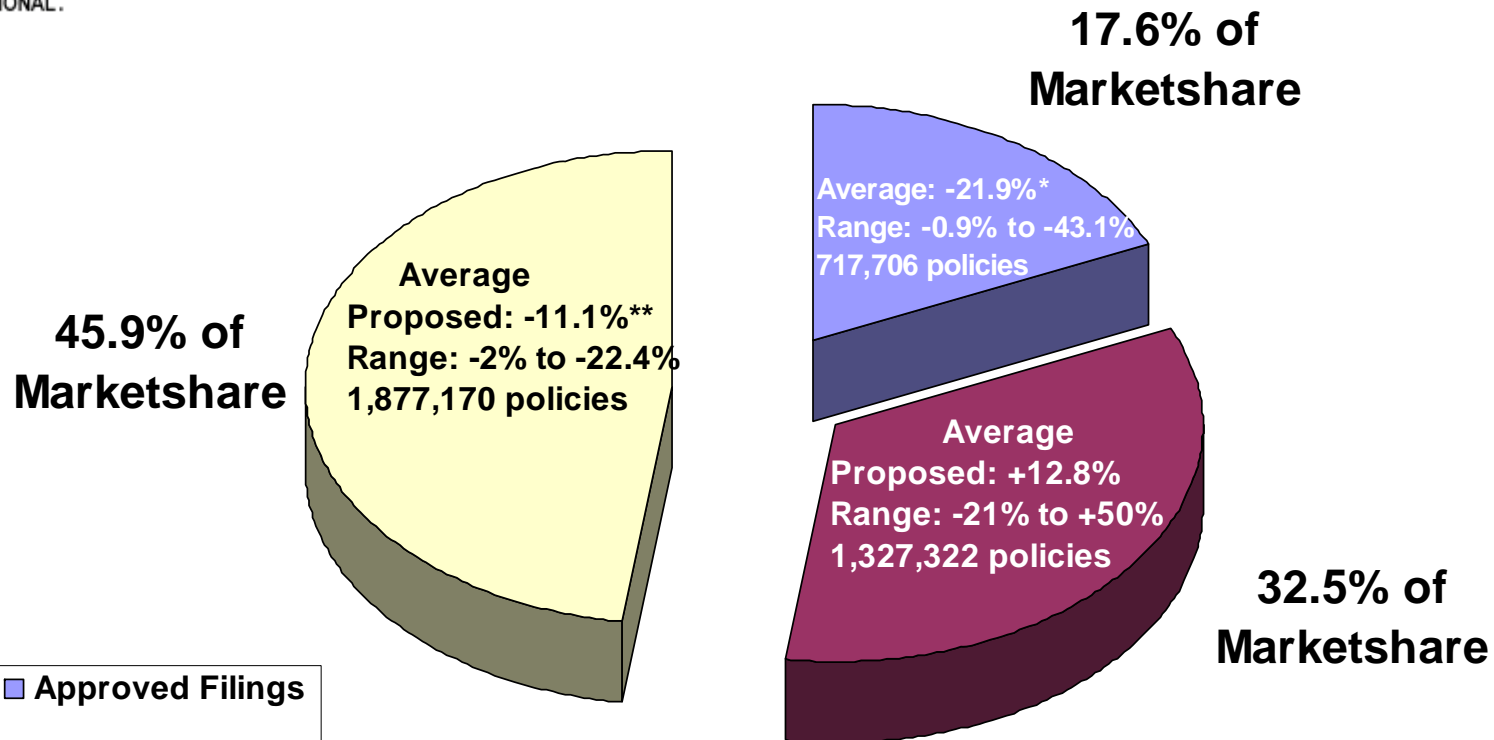
Represents 1,877,170 Policies or 45.9% of market share

**Does not include rate filings with zero percent change or rate filings denied due to various issues other than the proposed rate.



Presumed Factor - True-Up Filings

Homeowners Multi-Peril Policies as of January 3rd



- Approved Filings
- Disapproved Filings
- Pending Filings

*Does not include rate filings with zero percent change nor is the average weighted by market share. State Farm Florida, which filed a -7% presumed factor and -1.5% true up, is not included in the above information.

**Does not include rate filings with zero percent change or rate filings denied due to various issues other than the proposed rate.



Presumed Factor - True-Up Filings

As of January 3rd

✓ **Range of Presumed Factor and True-Up Filings for Mobile**

Homeowners:

Approved Filings

Average: - 22.6%*

Range: -8% to -54.1%

Represents 91,423 Policies or 34.5% of market share

NOI/Disapproved Filings

Average Proposed: +6.7%*

Range: -6 to +43%

Represents 137,246 Policies or 51.8% of market share

Pending Filings

Average Proposed: -20.8%

Range: -2 to -22.4

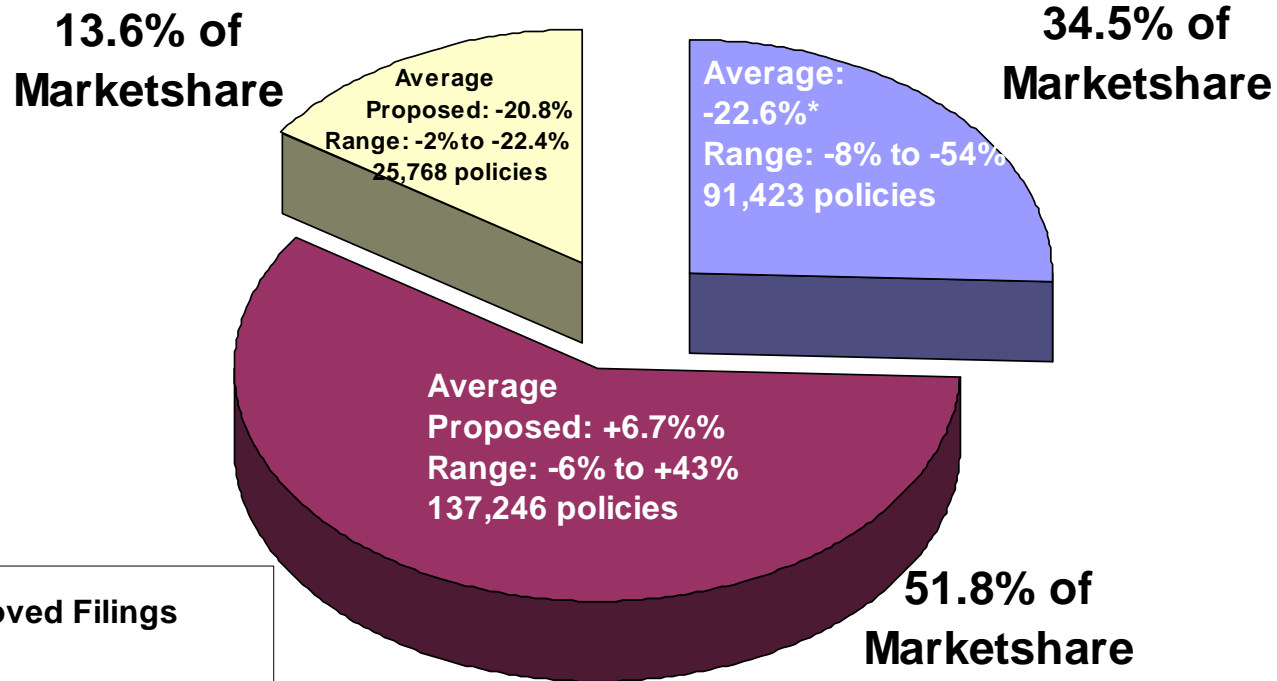
Represents 25,768 Policies or 13.6% of market share

*Does not include rate filings with zero percent change nor is the average weighted by market share.



Presumed Factor - True-Up Filings

Presumed Factor and True-Up filings for Mobile Homeowners as of January 3rd



- Approved Filings
- Disapproved Filings
- Pending Filings

*Does not include rate filings with zero percent change nor is the average weighted by market share.



Certification Page

- ✓ 627.062(9)(a) F.S. Effective March 1, 2007, the chief executive officer or chief financial officer of a property insurer and the chief actuary of a property insurer must certify under oath and subject to the penalty of perjury, on a form approved by the commission, the following information, which must accompany a rate filing: . . .
- ✓ 4. Based on the signing officer's and actuary's knowledge, the rate filing reflects all premium savings that are reasonably expected to result from legislative enactments and are in accordance with generally accepted and reasonable actuarial techniques.
- ✓ (b) A signing officer or actuary knowingly making a false certification under this subsection commits a violation of s. 626.9541(1)(e) and is subject to the penalties under 626.9521.



Certification Page

CERTIFICATE OF TRUE AND ACCURATE RATE FILING

I, _____
(Print or type name) (Print or type title)

Section 627.062(9) requires that this form must be signed by either the Chief Executive Officer or Chief Financial Officer, as well as the Chief Actuary.

and
_____ Chief Actuary*,
(Print or type name)

pursuant to Section 627.062(9), Florida Statutes, under oath, do swear and attest, based upon the signing officer's and actuary's knowledge, under penalty of perjury, that:

1. We have reviewed the foregoing rate filing;
2. The rate filing does not contain any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading;
3. The information contained in the rate filing relating to the factors described in s. 627.062(2)(b), F.S., including, but not limited to, investment income, fairly represents in all material respects the basis of the rate filing for the periods presented in the filing; and
4. The filing reflects all premium savings that are reasonably expected to result from legislative enactments and are in accordance with generally accepted and reasonable actuarial techniques.

(Signature) Chief Executive Officer or (Signature) Chief Financial Officer

(Print Name) (Print Name)

(Signature) Chief Actuary

(Print Name)

* Chief Actuary means an actuary, as defined in Section 627.0645(8), Florida Statutes, that is either employed by the insurer as the Chief Actuary or, if the insurer does not employ a Chief Actuary, is the primary consulting actuary involved in the preparation and review of this rate filing.

OIR-B1-1790 (03/2007) Rule 69O-170.0155



Examples of Rate Reductions

<u>Company</u>	<u>Presumed Factor</u>	<u>True Up</u>	<u>Total</u>
American Security	-16.2	0	-16.2
American Strategic	-11.4	-8.6	-20
Amex Assurance	-26.1	0	-26.1
Argus	-29.9	0	-29.9
Balboa	-23.8	0	-23.8
Clarendon Select	-28	0	-28
Coral Insurance Co	-33.4	-9.7	-43.1
Edison	-31.3	-4.3	-35.6
First Home	-9.6	0	-9.6
Hillcrest Insurance Co	-11.2	-3.7	-14.9
Homewise Preferred	-12.8	-10.4	-23.2
Northern Capital	-34.5	-0.7	-35.2
Omega Insurance Co	-17.9	-9.6	-27.5
Southern Oak	-31.3	-1.1	-32.4
Sunshine State	-23.5	-11.5	-35
Tower Hill Preferred	-15.5	0	-15.5
Tower Hill Select	-12.8	-7.9	-20.7
United P&C	-6.8	-1.2	-8



Examples of “National” Insurers

<u>Company</u>	<u>Presumed Factor</u>	<u>Requested True-up</u>	<u>Rate Change Implemented</u>
Allstate Floridian	-14.2	41.9	-14.2
State Farm Florida	-7	-2	-9
Nationwide of Florida	-4.5	-15.9	-20.4
			Note: from arbitrated rate +54%
First Floridian (Travelers)	-8.3	4.4	-8.3



Questions?