

Letter from **Paula Aschettino**  
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One comment to make to your Division of Insurance, Legislators and Attorney General:

The real problem for the outrageous rates lies in the "**Hurricane Risk Loads**" allowed in rate filings and **Reinsurance**.

The corrective actions which are needed require **Proof of losses**. This can be done by establishing "Standards for Hurricane Models" used in rate filings. Require Insurers to prove their rates using **approved Hurricane Models and Methodologies**.

If by Legislative Law you require all insurers of Property Casualty in rate filings to use the Methodologies approved in Florida by the Hurricane Commission in their "**Florida Commission on Hurricane Loss Cost Methodologies**" which annually reviews Hurricane Models and mandates the most current scientific review, you would have more accuracy to your possible hurricane losses. Also if your state required by Legislative Law that the **only models allowed for use in homeowner rate filings are those approved by the Florida Hurricane Commission**, and those versions which have not expired, **and** require that the Model outputs cannot be changed by insurers. This should reduce the amount of Hurricane Losses shown in Model outputs.

A lowering of predicted losses will result in a reduction in the amount of Reinsurance necessary to cover such losses thus reducing your premiums.

**Reinsurance:** Your DOI needs to ask for **more** data on Reinsurance - example: contracts, copies of checks paid out for reinsurance, methodologies for the amounts purchased etc.. Florida has a Statute on Property Casualty rates "**Rates**" which spells out info on reinsurance data used there.

Are the amounts purchased reasonable to "risk"?

Your Division of Insurance should require **Annual Filings** for homeowners insurance. If a company has an approved rate which was calculated during the time of many storms, it may be excessive now. We see this happening. Proof of rates should be done annually to protect the consumer from gouging or in some areas under insureds. I believe Florida again has annual rate filings for all insurers with required proof of rates.

Lastly, your State should establish real "**Mitigation Actions and premium credits**". If citizens can take actions to make their homes more safe from accurately established "Hurricane Risk" thus removing the risk from their Insurer, the citizen should be given real reductions in premium, not wind deductible. These statutes have been approved in Florida. Look at the Florida Division of Insurance and see the comparison of rates chart, homes without mitigation actions taken and those with actions taken by citizens. You can clearly see the benefit to homeowners who have made their homes safe and the reduction in cost of insurance.

Perhaps your State can have a fund set aside to help pay for citizens improvements to make their homes safe if economically they cannot afford this action.

Good luck with your meeting. I am sharing my findings as a citizen like yourselves. We have worked on this problem for 5 years so I am hoping to save you the many years we have spent and I now feel we have a direction and focus for **Meaningful Legislation**. I will keep you posted.

PS.

**Nationally** we need to work on the Rating Companies such as Moody's and AM Best, who give ratings on insurers which are important to our State Regulatory Departments. We need to make sure that the Rating Companies are using "**Long Term Hurricane Models**" and not

" **Near Term Models**" when reviewing a companies "exposure to risk". The **Near Term Model** outputs raise the possible Hurricane losses by **40%** .This results in the Insurer being required to purchase **Excessive** amounts of Reinsurance in order to receive the good ratings necessary to do business in the State. **The added cost of this reinsurance is added in our premiums.**